92-2277

A	ACCLAIM ENTERTAINMENT INC	10Q	05-31-92
B	AUTOCLAVE ENGINEERS INC	10Q	02-29-92
C	AUTOMOBILE PROTECTION CORP - APCO	10Q	05-31-92
D	BIG BOULDER CORP	10Q	02-29-92
D	BLUE RIDGE REAL ESTATE CO	10Q	02-29-92
E	CELLULAR COMMUNICATIONS INTERNATIONAL INC	10Q	03-31-92
F	FRESH JUICE CO INC	10Q	05-31-92
G	GENETICS INSTITUTE INC	10Q	05-31-92
H	HALLWOOD HOLDINGS INC	10Q	05-30-92
I	INTEGRATED SYSTEMS INC	10Q	05-31-92
J	INTERMETRICS INC	10Q	05-31-92
K	KOHL'S CORP	10Q	02-29-92
L	MICROPAC INDUSTRIES INC	10Q	02-29-92
M	MOREHOUSE INDUSTRIES INC	10Q	05-31-92
N	NDC AUTOMATION INC	10Q	05-31-92
O	NEWS COMMUNICATIONS INC	10Q	05-31-92
P	NORTHERN INSTRUMENTS CORP	10Q	02-29-92
Q	OCEAN BIO-CHEM INC	10Q	03-31-92
R	PERIPHERAL SYSTEMS INC	10Q	02-28-92
S	ROSS (A.J.) LOGISTICS INC	10Q	05-31-92
T	SUDBURY INC	10Q	02-29-92
U	TECHNOLOGY 80 INC	10Q	05-31-92
V	TOLTEC REAL ESTATE CORP	10Q	02-29-92
W	UPWARD TECHNOLOGY CORP	10Q	02-29-92

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from______to______

Commission file number 0-16-986

ACCLAIM ENTERTAINMENT, INC.

(Exact name of the registrant as specified in its charter)

Delaware	**38-2698904**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

71 Audrey Avenue, Oyster Bay, New York 11771
(Address of principal executive offices)

(516) 624-8888
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No___

As at July 10, 1992, approximately 23,265,000 shares of Common Stock of the registrant were outstanding.

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PART I
FINANCIAL INFORMATION
ITEM 1. Financial Statements.

ACCLAIM ENTERTAINMENT, INC.
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	May 31, 1992	August 31, 1991
ASSETS		
CURRENT ASSETS		
Cash	$7,933,675	$5,627,119
Accounts receivable - net	41,020,546	30,738,565
Inventories	9,653,459	6,087,921
Prepaid expenses	9,796,887	7,708,915
Advance payments to suppliers	8,523,147	4,032,528
Other current assets	2,835,208	2,262,735
TOTAL CURRENT ASSETS	79,762,922	56,457,783
OTHER ASSETS		
Fixed assets - net	4,661,390	4,355,798
Investment in Joint Venture	5,300,000	5,368,116
Excess of cost over net assets acquired - net	6,342,263	7,311,745
Other assets	2,386,074	2,114,174
TOTAL ASSETS	$98,452,649	$75,607,616
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade accounts payable	$12,808,873	$16,065,748
Notes payable to banks	8,006,336	7,631,818
Accrued expenses	10,782,250	11,618,090
Income taxes payable	4,667,729	134,602
Current portion of long-term debt	86,640	4,086,640
Obligation under capital leases - current	110,973	266,992
TOTAL CURRENT LIABILITIES	36,462,801	39,803,890
LONG-TERM LIABILITIES		
Long-term debt	1,450,420	1,515,400
Obligation under capital leases - noncurrent	625,229	370,688
Other long-term liabilities	881,159	1,144,293
TOTAL LIABILITIES	39,419,609	42,834,271
MINORITY INTEREST	136,567	106,716
STOCKHOLDERS' EQUITY		
Preferred stock, $0.01 par value; 1,000,000 shares authorized; none issued	—	—
Common stock, $0.02 par value; 50,000,000 shares authorized; 23,264,828 and 18,647,618 shares issued and outstanding, respectively	465,297	372,952
Additional paid in capital	30,407,586	13,353,406
Retained earnings	28,490,901	19,732,713
Common stock due from MCA	(806,817)	(806,817)
Foreign currency translation adjustment	339,506	14,375
TOTAL STOCKHOLDERS' EQUITY	58,896,473	32,666,629
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$98,452,649	$75,607,616

See note to consolidated financial statements.

ACCLAIM ENTERTAINMENT, INC.
AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED OPERATIONS

	Three Months Ended		Nine Months Ended	
	May 31, 1992	May 31, 1991	May 31, 1992	May 31, 1991
NET REVENUES	$45,983,608	$16,350,491	$137,233,403	$87,512,163
COST OF REVENUES	26,360,425	13,921,757	71,718,388	56,121,071
GROSS PROFIT	19,623,183	2,428,734	65,515,015	31,391,092
OPERATING EXPENSES				
Selling, advertising, general and administrative expenses	13,376,593	10,809,811	45,946,647	35,561,492
Operating interest	348,544	748,840	1,400,228	2,904,222
Depreciation and amortization	856,926	511,097	2,243,830	1,746,456
TOTAL OPERATING EXPENSES	14,582,063	12,069,748	49,590,705	40,212,170
EARNINGS (LOSS) FROM OPERATIONS	5,041,120	(9,641,014)	15,924,310	(8,821,078)
OTHER INCOME (EXPENSE)				
Interest income	89,540	27,304	193,178	69,470
Other income	(219,178)	(150,809)	191,777	493,294
Interest expense	(584,306)	(200,159)	(1,092,442)	(698,099)
EARNINGS (LOSS) BEFORE INCOME TAXES	4,327,176	(9,964,678)	15,216,823	(8,956,413)
PROVISION (BENEFIT) FOR INCOME TAXES	1,800,000	(3,096,000)	6,425,000	(2,600,000)
EARNINGS (LOSS) BEFORE MINORITY INTEREST	2,527,176	(6,868,678)	8,791,823	(6,356,413)
MINORITY INTEREST	0	(46,531)	33,635	(12,459)
NET EARNINGS (LOSS)	$2,527,176	$(6,822,147)	8,758,188	$(6,343,954)
NET EARNINGS (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE	$0.10	$(0.36)	$0.37	$(0.33)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	25,917,000	19,085,000	23,876,000	19,085,000

See note to consolidated financial statements.

ACCLAIM ENTERTAINMENT, INC
AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY

	Preferred Stock (1) Issued		Common Stock (2) Issued						
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Common Stock Due From MCA	Foreign Currency Translation Adjustments	Total
Balance August 31, 1989	—	—	16,700,987	$334,020	$2,397,458	$11,339,864	—	$12,561	$14,083,903
Net Earnings	—	—	—	—	—	14,232,192	—	—	14,232,192
Exercise of Stock Warrants	—	—	709,348	14,187	3,424,435	—	—	—	3,438,622
Exercise of Stock Options	—	—	33,033	660	49,903	—	—	—	50,563
Issuances	—	—	1,200,000	24,000	7,476,000	—	—	—	7,500,000
Foreign Currency Translation Loss	—	—	—	—	—	—	—	(6,057)	(6,057)
Balance August 31, 1990	—	—	18,643,368	372,867	13,347,796	25,572,056	—	6,504	39,299,223
Net Loss	—	—	—	—	—	(5,839,343)	—	—	(5,839,343)
Exercise of Stock Options	—	—	4,250	85	5,610	—	—	—	5,695
Common stock due from MCA	—	—	—	—	—	—	$(806,817)	—	(806,817)
Foreign Currency Translation Loss	—	—	—	—	—	—	—	7,871	7,871
Balance August 31, 1991	—	—	18,647,618	372,952	13,353,406	19,732,713	(806,817)	14,375	32,666,629
Net Earnings	—	—	—	—	—	8,758,188	—	—	8,758,188
Exercise of Stock Options			17,210	345	39,583	—	—	—	39,928
Issuances	—	—	4,600,000	92,000	17,014,597	—	—	—	17,106,597
Foreign Currency Translation Loss	—	—	—	—	—	—	—	325,131	325,131
Balance May 31, 1992	—	—	23,264,928	$465,297	$30,407,566	$28,490,901	$(806,817)	$339,506	$58,896,473

(1) The Company is authorized to issue 1,000,000 shares of preferred stock at a par value of $0.01 per share, none of which shares is presently issued and outstanding

See note to consolidated financial statements

ACCLAIM ENTERTAINMENT, INC.
AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

	Nine Months Ended	
	May 31, 1992	May 31, 1991
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Cash received from customers	$129,674,429	$75,590,632
Cash paid to suppliers and employees	(135,721,989)	(70,874,609)
Interest received	193,178	69,470
Interest paid	(2,492,670)	(3,602,321)
Income taxes paid	(1,943,971)	(1,628,097)
NET CASH (USED IN) OPERATING ACTIVITIES	(10,291,023)	(444,925)
CASH FLOWS (USED IN) PROVIDED BY INVESTING ACTIVITIES		
Acquisition of Mirrorsoft Assets	(140,205)	-------
Investment in Joint Venture	68,117	(1,541,137)
Acquisition of fixed assets, excluding capital leases	(507,346)	(161,220)
Acquisition of other assets	(436,900)	(1,323,537)
Proceeds from sale of Entertech Division	------	1,700,000
NET CASH (USED IN) INVESTING ACTIVITIES	(1,016,334)	(1,325,894)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Proceeds from issuance of common stock	17,118,365	-------
Proceeds from short-term bank loans	374,518	-------
Payment of long-term debt	(4,064,980)	(64,980)
Exercise of stock options	28,160	670
Payment of obligation under capital leases	(181,678)	(84,091)
Investment by minority	29,851	(70,692)
Redemption of redeemable common stock	-------	(1,500,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	13,304,236	(1,719,093)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	309,677	(1,513)
NET INCREASE (DECREASE) IN CASH	2,306,556	(3,491,425)
CASH AT BEGINNING OF PERIOD	5,627,119	5,196,678
CASH AT END OF PERIOD	$7,933,675	$1,705,253

ACCLAIM ENTERTAINMENT, INC.
AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS
(Continued)

	Nine Months Ended	
	May 31, 1992	May 31, 1991
RECONCILIATION OF NET EARNINGS (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net Earnings (Loss)	$8,758,188	$(6,343,954)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,243,830	1,746,456
Increase in allowance for returns and discounts	2,325,000	3,400,000
Increase in valuation allowance for marketable securities	———	60,000
Change in assets and liabilities:		
(Increase) in accounts receivable	(12,366,480)	(16,608,354)
(Increase) Decrease in inventories	(3,440,820)	16,558,663
(Increase) Decrease in prepaid expenses	(1,218,473)	713,070
Decrease in other current assets	142,524	317,336
(Increase) in advance payments to suppliers	(4,490,619)	(512,947)
(Decrease) in trade accounts payable	(3,414,047)	(6,274,589)
(Decrease) Increase in accrued expenses	(3,311,155)	3,946,421
Increase in income taxes payable	4,481,029	2,552,973
Total adjustments	(19,049,211)	5,899,029
NET CASH (USED IN) OPERATING ACTIVITIES	$(10,291,023)	$(444,925)

Supplemental schedule of noncash investing and financing activities:

In fiscal 1991, the Company increased the excess of cost over net assets acquired by approximately $3,600,000.

See note to consolidated financial statements.

ACCLAIM ENTERTAINMENT, INC.
AND SUBSIDIARIES
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

Interim Period Reporting

The data contained in these financial statements are unaudited and are subject to year-end adjustments; however, in the opinion of management, all known adjustments (which consist only of normal recurring accruals) have been made to present fairly the consolidated operating results for the unaudited periods.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

Through fiscal 1989, substantially all of the Company's revenues were derived from sales of software ("Software") for the 8-bit Nintendo Entertainment System ("NES") platform. The Company commenced the development and marketing of Game Boy Software in 1990 following the introduction of that portable hardware platform, and commenced development and marketing of 16-bit Nintendo Super Entertainment System ("Super NES") Software in conjunction with the 1991 introduction in the United States of the Super NES platform. The Company commenced the development and marketing of Software for Sega's 16-bit Genesis ("Genesis") and portable Game Gear ("Game Gear") platforms and the Super Famicom (the Japanese equivalent of the Super NES) platform during the quarter ended May 31, 1992. The Company's business is characterized by both hardware platform and Software product cycles.

The release of individual "hit" Software titles can significantly affect revenues and cause quarterly revenue and earnings fluctuations.

The Company's future sales growth, if any, will depend on sales of interactive entertainment hardware and Software outside of North America, penetration of 16-bit and portable hardware platforms in North America, the development and market acceptance of the Company's Software for these new platforms and the development of a number of "hit" Software titles.

Results of Operations

The following table sets forth certain statements of consolidated operations data as a percentage of net revenues for the periods indicated:

	Three Months Ended		Nine Months Ended	
	May 31, 1992	May 31, 1991	May 31, 1992	May 31, 1991
Domestic revenues	47.8%	81.2%	60.4%	83.5%
Foreign revenues	52.2	18.8	39.6	16.5
Net revenues	100.0	100.0	100.0	100.0
Cost of revenues	57.3	85.1	52.3	64.1
Gross Profit	42.7	14.9	47.7	35.9
Selling, advertising, general and administrative expenses	29.1	66.1	33.5	40.6
Interest-factor	0.7	4.6	1.0	3.3
Depreciation and amortization	1.9	3.1	1.6	2.0
Total operating expenses	31.7	73.8	36.1	45.9
Earnings (Loss) from operations	11.0	(58.9)	11.6	(10.0)
Other income (expense), net	(1.6)	(2.0)	(0.5)	(0.2)
Earnings (Loss) before income taxes	9.4	(60.9)	11.1	(10.2)
Net earnings (loss)	5.5	(41.7)	6.4	(7.3)

Net Revenues

The increase in the Company's net revenues from $16,350,491 for the three months ended May 31, 1991 to $45,983,608 for the three months ended May 31, 1992 was predominantly due to the continued increase in Software sales in the European market, the reduced levels of discounts and allowances, the Company's entry into the Sega market and the Company's entry into the Japanese Super Famicom market. The increase in the Company's net revenues from $87,512,163 for the nine months ended May 31, 1991 to $137,233,403 for the nine months ended May 31, 1992 was primarily caused by increases in Software sales as a result of the Company's continued growth in the European market and, to a lesser extent, the Company's entry into the Sega market and the Company's entry into the Japanese Super Famicom market. The Company anticipates that its foreign sales will continue to represent a higher percentage of net revenues in fiscal 1992 compared to fiscal 1991.

Each of Nintendo and Sega is the sole licensor of the proprietary information and the technology needed to develop Software for their respective hardware platforms, as well as the sole manufacturer of their respective platforms. For the nine months ended May 31, 1991 and May 31, 1992, the Company derived 94% and 92% of its gross revenues, respectively, from sales of products licensed by Nintendo. The majority of the Company's gross revenues were derived from the following product categories:

	Three Months Ended		Nine Months Ended	
	May 31, 1992	May 31, 1991	May 31, 1992	May 31, 1991
8 Bit Software	38.4%	75.8%	52.9%	81.6%
Portable Software	22.3	17.0	25.5	8.2
16 Bit Software	38.1	0.0	19.0	0.0

Gross Profit

Gross profit fluctuates on a quarterly basis as a result of three factors: (i) the level of domestic manufacturing; (ii) the percentage of foreign sales; and (iii) the percentage of foreign sales to third party distributors. The Company's margins on foreign sales to third party distributors are approximately one-third lower than those on sales that the Company merchandises directly to retailers.

Gross profit increased from $2,428,734 (14.9% of net revenues) for the three months ended May 31, 1991 to $19,623,183 (42.7% of net revenues) for the three months ended May 31, 1992 and from $31,391,092 (35.9% of net revenues) for the nine months ended May 31, 1991 to $65,515,015 (47.7% of net revenues) for the nine months ended May 31, 1992. The dollar increases are predominantly due to increased sales volume. The percentage increases are predominantly due to lower levels of discounts and allowances offered to customers during the current fiscal year and, to a lesser extent, to the Company's domestic manufacture of Software.

The Company began manufacturing in the fourth quarter of fiscal 1991 a portion of its North American NES Software under a license granted by Nintendo. The Company's arrangement with Sega provides for the manufacture by the Company of Genesis Software and the Company anticipates commencing the shipment of such Software in the fourth quarter of fiscal 1992. See "Recent Developments." The Company anticipates that it will continue to have improved control over the flow of its inventory as a result of the decreased lead time resulting from its ability to manufacture Software. Such improved control may result in less over-ordering, thus potentially reducing the need in the future for concessions such as those offered to customers of the Company during fiscal 1991. The cost of Software manufactured by the Company, together with the royalties payable to Nintendo or Sega for such manufacturing, is not materially different from the cost of the Company's Software products when manufactured by Nintendo or Sega. However, the royalty payable to Nintendo or Sega for Software manufactured by the Company is included as an operating expense, rather than as part of cost of revenues. As a result, the Company expects its gross margin to continue to be higher in fiscal 1992 compared to fiscal 1991, but such increase will be offset by an increase in the Company's operating expenses as a percentage of revenues.

The Company purchases substantially all of its products at prices payable in United States dollars. Appreciation of the yen could result in increased prices charged by Nintendo to the Company which the Company may not be able to pass on to its customers and which would adversely affect its results of operations.

Operating Expenses

Operating expenses increased from $12,069,748 (73.8% of net revenues) for the three months ended May 31, 1991 to $14,582,063 (31.7% of net revenues) for the three months ended May 31, 1992 and increased from $40,212,170 (45.9% of net revenues) for the nine months ended May 31, 1991 to $49,590,705 (36.1% of net revenues) for the nine months ended May 31, 1992. The dollar increases are primarily attributable to increased sales volume and the percentage decreases are primarily attributable to increased net revenues during the current fiscal year. The percentage decrease in operating expenses for the three months ended May 31, 1992 was also attributable to decreased royalty expenses as the Company's manufacture of NES Software products was minimal during the quarter. Selling and advertising expenses increased from $27,106,285 (31.0% of net revenues) for the nine months ended May 31, 1991 to $32,067,341 (23.4% of net revenues) for the nine months ended May 31, 1992 predominantly due to increased royalty expenses attributable to the domestic manufacture of NES Software offset by decreased consumer advertising expenses. Sales commissions approximated $748,800 (5% of net revenues) for the three months ended May 31, 1991 and $1,367,000 (3% of net revenues) for the three months ended May 31, 1992 and $2,780,000 (3% of net revenues) for the nine months ended May 31, 1991 and $3,807,000 (3% of net revenues) for the nine months ended May 31, 1992. Operating interest expense decreased from $748,840 (4.6 % of net revenues) for the three months ended May 31, 1991 to $348,544 (0.7% of net revenues) for the three months ended May 31, 1992 and from $2,904,222 (3.3% of net revenues) for the nine months ended May 31, 1991 to $1,400,228 (1.0% of net revenues) for the nine months ended May 31, 1992, which decreases were attributable to decreased advances drawn against accounts receivable as well as a decrease in the prime rate. See "Liquidity and Capital Resources."

Seasonality

The Company's business is typically seasonal, with higher revenues and operating income during its first, second and fourth fiscal quarters. However, sales for the quarter ended May 31, 1992 were not as seasonally low as in prior years as a result of the Company's continued increased sales in the European market and its entry into the Sega market and the Japanese Super Famicom market. The timing of the delivery of Software titles and the releases of new products cause significant fluctuations in the Company's quarterly revenues and earnings. From time to time, the Company also derives revenues from royalties received on sub-licensing intellectual properties. Royalty income as a percentage of net revenues was not material during the quarters and nine months ended May 31, 1991 and May 31, 1992.

Liquidity and Capital Resources

The Company's sources of liquidity during the nine months ended May 31, 1992 were the proceeds of an underwritten public offering covering 4,600,000 shares of common stock completed in December 1991 and cash flow from operations. Of the net proceeds of approximately $17,100,000 from the offering, $4,000,000 was used to repay short-term debt. The balance of the proceeds is being used to expand the Company's operations in Europe and to increase working capital in support of the Company's domestic operations including its entry into the Sega market and expansion of the Company's Product Development and Engineering departments. During the nine months ended May 31, 1991, the Company's primary source of liquidity was borrowings from the factor.

When the Company submits a purchase order, it generally opens a letter of credit in favor of Nintendo or Sega. At May 31, 1991 and May 31, 1992, amounts outstanding under letters of credit were approximately $12,100,000 and $16,500,000, respectively.

The Company finances its domestic operations by assigning a majority of its North American accounts receivable to a factor on a nonrecourse, pre-approved basis. Advances are taken against amounts factored to finance working capital requirements. The factoring charge is 0.7% of the receivables assigned and interest on advances is the bank's prime rate plus 0.75% per annum. The Company is permitted to receive advances of up to 65%, in the factor's sole discretion, of uncollected amounts factored. The Company's factoring arrangements expire in August 1994.

In light of the fact that the Company factors the majority of its North American accounts receivable and draws down advances from its factor from time to time in such amounts as it requires, the Company's liquidity is a function of the availability from its factor compared to the amounts that the Company requires. Factoring charges and interest on advances amounted to approximately $4,104,321 for the nine months ended May 31, 1991 and approximately $2,381,443 for the nine months ended May 31, 1992. The decrease in such charges and interest is attributable to the Company drawing down lower levels of advances against receivables as well as a decrease in the prime rate.

The Company currently has a $13,000,000 trade finance facility with a bank, pursuant to which $5,000,000 is available for short-term advances to the Company. The Company's Japanese, German and U.K. subsidiaries currently have independent facilities totalling approximately $13,000,000, $7,000,000 and $5,500,000, respectively, with various banks.

Management believes that cash flow from operations will be adequate to provide for the Company's liquidity and capital needs with respect to the development of Software compatible with current technologies and its sales expansion in Europe for at least the next twelve months. Beyond that time period, the Company's liquidity and capital needs will be dependent, in large part, on the development of new technologies in the interactive entertainment software market, which the Company cannot predict with any certainty.

Legal Proceedings

Nintendo (but not the Company) is a party to various lawsuits, including those brought by Atari Games Corporation and Atari Corporation, and the Company has received letters from Atari Corporation alleging that the Company's products infringe two Atari patents.

Implementation of Statement of Financial Accounting Standards No. 109

Management has not implemented Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"), which is required for periods beginning after December 15, 1992. Management anticipates that the effect of implementing SFAS 109 on the Company's results of operations will not be material.

Recent Developments

The Company's arrangement with Sega provides for the manufacture by the Company of Software for the Genesis platform. The Company anticipates commencing shipment of certain Genesis titles for distribution in North America and Europe during the fourth quarter of fiscal 1992.

Certain electronics manufacturers have announced plans to introduce interactive entertainment hardware that utilizes compact disk format ("CD") software. In this connection, the Company is in the process of developing tools utilizing three dimensional animation technology for use in programming such CD software. The Company is designing the tools to be platform independent -- i.e the tools will be utilized in the development of software for a variety of hardware platforms. There can be no assurance, however, that such hardware systems and/or the Company's software for such platforms will achieve market acceptance.

PART II
OTHER INFORMATION

ITEM 4. Submission of Matters to a Vote of Security Holders.

On May 14, 1992, at the Annual Meeting of the Company's stockholders, the stockholders (i) elected the following directors to serve for a term of one year: Gregory E. Fischbach (by a vote of 20,441,650 for and 511,932 withheld), James Scoroposki (by a vote of 20,439,974 for and 513,608 withheld), Robert Holmes (by a vote of 20,441,448 for and 512,134 withheld), Bernard J. Fischbach (by a vote of 20,441,987 for and 511,595 withheld), Michael Tannen (by a vote of 20,441,565 for and 512,017 withheld) and Robert Groman (by a vote of 20,442,902 for and 511,510 withheld); (ii) ratified the appoinment of Grant Thornton as auditors to serve until the next annual meeting by a vote of 20,559,692 for, 129,181 against and 264,709 withheld; and (iii) approved, by a vote of 18,784,180 for, 2,059,091 against and 110,311 withheld, the increase from 3,000,000 to 4,000,000 in the number of shares with respect to which options may be granted under the Company's 1988 Stock Option Plan and a non-discretionary annual grant of options to purchase 12,500 shares to each non-employee director of the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ACCLAIM ENTERTAINMENT, INC.

By:____________________ July 13, 1992
Robert Holmes
President and
Chief Operating Officer

By:____________________ July 13, 1992
Anthony Williams,
V.P., Finance and
Chief Financial Officer
(Chief Accounting Officer)

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

rk
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For the quarterly period ended February 29, 1992

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

PROCESSED BY
APR 20 1992

Commission file number 0-10095

Autoclave Engineers, Inc.
(Exact name of registrant as specified in its charter)

Pennsylvania (State or other jurisdiction of incorporation or organization)	25-0941759 (I.R.S. Employer Identification No.)
2901 West 22nd Street, Erie, Pennsylvania (Address of principal executive offices)	16506 (Zip Code)

3Q

(814) 838-5700
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

The number of shares of common stock, $.15 par value, outstanding as of March 31, 1992 was 4,181,802.

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AUTOCLAVE ENGINEERS, INC. AND SUBSIDIARIES

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Part I. Financial Information

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AUTOCLAVE ENGINEERS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

February 29, 1992 and May 31, 1991
(amounts in thousands)
(unaudited)

	02/29/92	05/31/91
ASSETS:		
Current Assets:		
Cash and cash equivalents	$ 2,237	$ 3,245
Short-term investments, at cost	950	1,765
Accounts and notes receivable	20,293	20,663
Inventories	12,793	11,888
Deferred income taxes	877	1,073
Prepaid expenses and other	2,697	2,643
Total current assets	39,847	41,277
Property, plant and equipment, at cost:		
Land and land improvements	440	440
Buildings and improvements	7,843	7,811
Machinery and equipment	22,990	21,074
	31,273	29,325
Accumulated depreciation and amortization	(17,961)	(16,060)
	13,312	13,265
Construction in progress	352	--
	13,664	13,265
Investment in equity interests	680	596
Goodwill, net of amortization of $1,075 and $961, respectively.	4,985	5,099
Other assets	878	1,235
	$60,054	$61,472

See accompanying notes to consolidated financial statements.

AUTOCLAVE ENGINEERS, INC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

February 29, 1992 and May 31, 1991
(amounts in thousands, except share data)
(unaudited)

LIABILITIES AND SHAREHOLDERS' EQUITY	02/29/92	05/31/91
Current liabilities:		
Bank lines of credit	$ 200	$ --
Accounts payable	7,203	7,767
Accrued salaries, wages and benefits	3,204	2,944
Other accrued expenses	2,657	3,709
Income taxes	311	432
Current installments on term debt	767	1,035
Other current liabilities	255	1,047
Total current liabilities	14,597	16,934
Term debt	3,368	3,623
Deferred income taxes	667	812
Other long-term liabilities and deferred credits	1,105	1,146
Total liabilities and deferred credits	19,737	22,515
Excess of net assets acquired over cost	1,935	1,782
Shareholders' equity:		
Common stock, $.15 par value; authorized shares: 12,000,000; issued shares: 4,416,193	662	662
Additional paid-in capital	19,953	19,946
Retained earnings	15,558	15,429
Foreign currency translation adjustment	2,877	1,813
	39,050	37,850
Less treasury stock, at cost: 234,391 shares and 237,476 shares, respectively	(668)	(675)
Total shareholders' equity	38,382	37,175
	$60,054	$61,472

See accompanying notes to consolidated financial statements.

AUTOCLAVE ENGINEERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
for the three months and nine months ended
February 29, 1992 and February 28, 1991

(amounts in thousands, except share data)
(unaudited)

	Three Months Ended		Nine Months Ended	
	02/29/92	02/28/91	02/29/92	02/28/91
Net sales	$21,373	$19,464	$58,329	$56,190
Cost of goods sold and operating expenses	14,516	12,712	38,323	36,654
Gross margin	6,857	6,752	20,006	19,536
Selling and administration	6,015	6,752	17,411	18,854
Research & development	374	584	1,277	1,850
Operating income(loss)	468	(584)	1,318	(1,168)
Interest income	48	123	240	436
Interest expense	(89)	(131)	(313)	(411)
Other income, net	12	156	110	330
Income(loss) before income taxes and equity income	439	(436)	1,355	(813)
Provision for(benefit from) income taxes	126	(179)	567	(409)
Income(loss) before equity income	313	(257)	788	(404)
Equity income	38	65	94	80
Net income(loss)	$ 351	$ (192)	$ 882	$ (324)
Net income(loss) per share	$ .08	$ (.05)	$ .21	$ (.08)
Average shares used in computing earnings per share	4,239,807	4,206,184	4,233,276	4,249,461

See accompanying notes to consolidated financial statements.

AUTOCLAVE ENGINEERS,INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended
February 29, 1992 and February 28, 1991
(amounts in thousands)
(unaudited)

	Nine Months Ended	
	2/29/92	2/28/91
Cash Flows from Operating Activities:		
Net Income (loss)	$ 882	$ (324)
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	2,248	2,019
Deferred income taxes	140	81
Equity in affiliates	(94)	(80)
Changes in assets & liabilities:		
Accounts receivable	1,573	4,360
Inventories	(626)	(2,194)
Prepaids and other assets	84	363
Accounts payable and accrued liabilities	(2,517)	(2,056)
Income taxes	221	(1,139)
Other current liabilities	(868)	(254)
Change in other long-term liabilities	75	69
Other	104	(203)
Net cash provided from (used in) operating activities	1,222	642
Cash Flows from Investing Activities:		
Capital expenditures	(2,399)	(4,215)
Proceeds from Sale of Property, Plant & Equip.	522	--
Change in short-term investments	822	1,754
Other	(36)	(77)
Net cash provided from (used in) investing activities	(1,091)	(2,538)
Cash Flows from Financing Activities		
Payments on long-term debt	(321)	(2,138)
Proceeds from issuance of long-term debt	--	1,497
Proceeds from issuance of common stock	15	43
Change in short-term debt, net	(82)	855
Cash dividends paid	(753)	(757)
Other	(88)	--
Net cash provided from (used in) financing activities	(1,229)	(500)
Effect of Exchange Rate Changes	90	429
Net increase (decrease) in cash and cash equivalents	(1,008)	(1,967)
Cash and cash equivalents at beginning of year	3,245	6,875
Cash and cash equivalents at end of year	$2,237	$4,908

See accompanying notes to consolidated financial statements.

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AUTOCLAVE ENGINEERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands, except share data)

1. Significant Accounting Policies

The financial information furnished herein is unaudited but includes all adjustments which management of the Corporation considers normal, recurring and necessary to fairly present the Corporation's financial position, results of operations, and cash flows for the periods indicated. This report should be read in conjunction with the Corporation's financial statements as reported in its Form 10-K for the fiscal year ended May 31, 1991.

Reclassifications - Certain prior year amounts have been reclassified to conform to the presentation in the current financial statements.

2. Inventories

Inventories at February 29, 1992 and May 31, 1991 consisted of the following:

	Feb. 29, 1992	May 31, 1991
Raw materials	$ 3,946	$ 3,274
Work in process	4,586	4,283
Finished goods	5,099	4,819
	13,631	12,376
Less advance payments	838	488
Total inventories	$12,793	$11,888

AUTOCLAVE ENGINEERS, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION
(amounts in thousands, except share data)

Discussion included herein relates to the results of operations of the Corporation and the performance of its three operating groups -- the Autoclave Engineers Group of companies ("AEG"); Unit Instruments, Inc. and its subsidiaries ("Unit"); and Burton Corblin S.A. ("BCSA") and Burton Corblin North America, Inc. ("BCNA") (combined "Burton Corblin").

The fiscal quarters of Burton Corblin end two months earlier than the rest of the Corporation's operations. The Consolidated Balance Sheet at February 29, 1992 and May 31, 1991 and the Consolidated Statements of Income and Cash Flows for the three-month and nine-month periods ended February 29, 1992 and February 28, 1991 include the accounts of Burton Corblin at December 31, 1991 and March 31, 1991 and the results of its operations for the three-month and nine-month periods ended December 31, 1991 and 1990.

RESULTS OF OPERATIONS

Net Sales: Included in net sales for the three months and nine months ended February 29, 1992 and February 28, 1991 are the following sales by operating group:

	Three Months Ended		Nine Months Ended	
	02/29/92	02/28/91	02/29/92	02/28/91
AEG	$ 8,830	$ 7,819	$25,489	$24,804
Unit	4,503	6,302	15,627	16,987
Burton Corblin	8,040	5,343	17,213	14,399
Consolidated Net Sales	$21,373	$19,464	$58,329	$56,190

Net sales at AEG increased approximately 13% in the third quarter and 3% in the first nine months of fiscal 1992 from the corresponding periods in the prior year. The increased sales for the third quarter was due principally to a higher volume of pressure vessel and fluid component sales. These products and a few large system sales attributed to the increase in net sales for the first nine months.

At Unit, net sales decreased 29% in the third quarter and 8% for the nine month period when compared to the prior year due to lower sales in the United States caused by a weak demand in the semiconductor equipment market.

Burton Corblin's net sales for the third quarter and first nine months of fiscal 1992 increased 50% and 20%, respectively, when compared to the prior year. These increases arose from a larger volume of compressor systems shipped and a 15% increase in spare parts shipments. The fluctuation in sales dollars was more a function of the timing of orders for delivery rather than an indication of a market trend.

Cost of Goods Sold and Operating Expense

These costs as a percentage of consolidated net sales increased to 67.9% in the third quarter of fiscal 1992 from 65.3% in the prior year and increased from 65.2% to 65.7% for the first nine months of fiscal 1992.

At AEG, this percentage increased from 62.4% to 68.5% in the third quarter and from 64.5% to 65.1% for the nine-month period. The increase in the third quarter was due to a shift in the product mix including the sale of low pressure vessels at higher product costs and the termination of the CDS Instruments product line at the end of fiscal 1991 which had sales in 1991 at a low product cost.

Unit's percentage increased approximately two points for both the third quarter and first nine months of fiscal 1992 over the comparable periods of the prior year. These increases were primarily volume related due to the absorption of fixed costs over lower sales volume.

Burton Corblin's percentage improved from 76.6% in the third quarter of 1991 to 69.1% in 1992. For the first nine months of fiscal 1992, the percentage improved to 70.8% from 73.9% in 1991. The third quarter improvement resulted from a combination of better pricing of piston compressors and the absorption of fixed overhead over a higher volume of net sales.

Selling and Administration Expenses

These costs declined $737 in the third quarter and $1,443 for the nine months on a consolidated basis from the comparable periods in the prior year.

AEG decreased these costs $1,345 for the nine-month period due to the elimination of expenses related to the CDS product line ($818) and reductions in selling expenses.

At Unit Instruments these costs decreased $297 in the third quarter from the same period in the prior year due to cost reduction initiatives made to counteract the reduced sales volume and lower commissions on that volume. These costs decreased $157 for the nine-month period due to the cost reductions in the third quarter offset partially by costs incurred with the move to a new facility in November 1991.

At Burton Corblin, these expenses decreased $173 in the third quarter due to staff reductions in 1992. For the nine-month period, these expenses increased slightly due to the operation of BCNA during the entire first nine months of fiscal 1992.

Research and Development

These costs decreased $207 and $572 on a consolidated basis for the third quarter and first nine months of fiscal 1992, respectively, over the comparable periods of the prior year.

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At AEG, these costs decreased $277 for the nine-month period due to a reduction in new product development and a reduction in funding to the Fred Gasche Lab.

Unit's spending was decreased $185 in the first nine months of fiscal 1992 due to project reductions made at the end of the second quarter of fiscal 1992.

Burton Corblin's expenses decreased $111 for the nine-month period when compared to the prior year. This arose due to the savings generated by not replacing employees in France offset partially by the costs of BCNA.

Interest Income

Lower interest rates and the decrease of investable funds caused the decrease in interest income.

Interest Expense

The decrease in interest expense in the first nine months of 1992 was due to lower interest rates on the Corporation's debt and normal debt retirement. During fiscal 1991, the Corporation exercised an option to accelerate the repayment of $1.6 million of long-term debt. The interest cost savings resulting from this transaction was partially offset by a lower interest cost incurred on a new $1.3 million tax-exempt bond issued in 1991 at variable rates used to finance expansion at the Corporation's facility in Princeton, Kentucky.

Other Income and Expense

Other income and expense decreased due to lower foreign exchange gains arising from the Japanese Yen in fiscal 1992 than in 1991.

Provision for Income Taxes

The effective tax rate [the provision for (benefit from) income taxes as a percentage of pre-tax income (loss)] was 28.7% and 41.8% for the third quarter and year-to-date periods of fiscal 1992 when compared to (41.2%) and (50.4%) for the same periods in the prior year. The effective rates are affected by the different levels of profitability or loss of the various operating locations and the statutory tax rates for each country or state.

Equity Income

This item represents the Corporation's 50% share of income realized by its joint venture, ABB Autoclave Systems, Inc.

LIQUIDITY AND CAPITAL RESOURCES

The financial condition of the corporation at February 29, 1992 remained strong. Working capital was $25,250 and $24,343 at February 29, 1992 and May 31, 1991, respectively, while the working capital ratio was 2.7 to 1 and 2.4 to 1 at those respective dates.

At February 29, 1992, unused bank lines of credit totalling $8,250,000 are available to the Corporation, of which $250,000 is specifically in support of any foreign exchange contracts entered into by the Corporation with one of the bank's affiliates. These lines of credit provide external funds for short-term financing.

The Corporation believes it has sufficient resources to meet all anticipated short-term capital requirements. The ratio of total liabilities to tangible net worth (i.e. shareholders' equity less goodwill, plus the excess of assets acquired over cost) was .56 to 1 at February 29, 1992 compared to .66 to 1 at May 29, 1992.

The Corporation was not committed to any significant plant or equipment contracts at February 29, 1992.

AUTOCLAVE ENGINEERS, INC. AND SUBSIDIARIES

PART II. OTHER INFORMATION

Sequential
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Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit 11 Computation of Earnings Per Share

(b) Reports on Form 8-K - On March 16, 1992 the Company filed a report on Form 8-K reporting Item 4 "Changes in Registrant's Certifying Accountants". The Board of Directors approved the engagement of the accounting firm of Price Waterhouse and the termination of the firm of Coopers and Lybrand. There were no disagreements between the Corporation and Coopers and Lybrand on any matter of accounting principles or practices, financial statement disclosure, auditing scope or procedure, nor any reportable event during the two most recent fiscal years ended May 31, 1991 or in the interim periods subsequent to May 31, 1991.

AUTOCLAVE ENGINEERS, INC. AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Autoclave Engineers, Inc.
Registrant

James C. Levinson

Date: April 14, 1992

James C. Levinson
President and Chief Executive Officer

Date: April 14, 1992

Thomas C. Guelcher
Chief Financial Officer

EXHIBIT 11.1

COMPUTATION OF EARNINGS PER SHARE

	Three Months Ended		Nine Months Ended	
	02/29/92	02/28/91	02/29/92	02/28/91
NET INCOME (LOSS)	$ 351,000	$ (192,000)	$ 882,000	$ (324.000)
Earnings Per Share - Primary				
Weighted average number of shares outstanding	4,181,802	4,178,717	4.181,163	4.177,322
Common share equivalents assuming exercise of stock options	58,005	27,467	52,113	72,139
Average shares used in computing earnings per share	4,239,807	4,206,184	4,233,276	4,249,461
Net income (loss) per share	$ .08	$ (.05)	$ .21	$ (.08)
Earnings Per Share - Fully Diluted				
Weighted average number of shares outstanding	4,181,802	4,178,717	4,181,163	4,177,322
Common share equivalents assuming exercise of stock options	93,128	38,770	63,877	75,943
Average shares used in computing earnings per share	4,274,930	4,217,487	4,245,040	4,253,265
Net income (loss) per share	$ .08	$ (.05)	$ .21	$ (.08)

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1992

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to ______

Commission file number 0-17231

AUTOMOBILE PROTECTION CORPORATION - APCO
(Exact name of registrant as specified in its charter)

Georgia	58-1582432
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

15 Dunwoody Park Drive • Suite 100
Atlanta, Georgia 30338
(Address of principal executive offices) (Zip Code)

(404) 394-7070
Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 31, 1992
Common stock, $.001 par value per share	5,168,000

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AUTOMOBILE PROTECTION CORPORATION - APCO

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

AUTOMOBILE PROTECTION CORPORATION - APCO
CONSOLIDATED BALANCE SHEET

ASSETS	May 31, 1992 (Unaudited)	August 31, 1991
Current Assets:		
Cash and cash equivalents	$2,069,714	$1,750,240
Marketable securities	846,835	1,760,459
Accounts receivable, net	209,597	571,331
Advances and notes receivable from officers and employees	130,778	154,530
Inventory	261,132	266,712
Income tax refund receivable	457,595	
Prepaid expenses and other assets	21,107	97,819
Total current assets	3,996,758	4,601,091
Property and equipment, net of accumulated depreciation of $497,960 and $370,457	913,698	919,279
Goodwill, net of accumulated amortization of $172,111 and $134,786	325,561	362,886
Computer software, net of accumulated amortization of $149,964 and $108,333	66,943	108,574
Other intangible assets, net of accumulated amortization of $350,754 and $286,319	78,246	142,681
Other assets	132,050	46,051
	$5,513,256	$6,180,562
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Payable to managing general agents and insurers for service contracts	$1,603,038	$1,168,356
Accounts payable and accrued expenses	122,800	70,562
Commissions payable	98,042	255,234
Accrued liabilities	7,402	64,953
Income taxes payable		127,295
Total current liabilities	1,831,282	1,686,400
Shareholders' equity:		
Convertible redeemable preferred stock	5,875	5,875
Common Stock - $.001 par value per share; 40,000,000 authorized, 5,168,000 issued and outstanding	5,168	5,168
Additional paid-in capital	3,429,717	3,429,717
Retained earnings	241,214	1,053,402
Total shareholders' equity	3,681,974	4,494,162
	$5,513,256	$6,180,562

(The accompanying notes are an integral part of these consolidated financial statements.)

AUTOMOBILE PROTECTION CORPORATION - APCO
CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended May 31,	
	1992 (Unaudited)	1991 (Unaudited)
Revenues	$3,664,367	$5,402,692
Cost of sales	2,941,791	4,425,455
	722,576	977,237
Expenses:		
Selling, general and administrative	681,738	642,031
Salaries and wages	424,641	554,727
Interest, dividend and other income	(36,720)	(95,609)
	1,069,659	1,101,149
Loss before income taxes	(347,083)	(123,912)
Benefit for income taxes	(115,000)	(55,240)
Net loss	$ (232,083)	$ (68,672)
Net loss per common share	$(.04)	$(.01)
Weighted average number of common shares outstanding during the period	5,168,000	5,168,000

(The accompanying notes are an integral part of these consolidated financial statements.)

AUTOMOBILE PROTECTION CORPORATION - APCO
CONSOLIDATED STATEMENT OF OPERATIONS

	Nine Months Ended May 31,	
	1992 (Unaudited)	1991 (Unaudited)
Revenues	$10,283,008	$17,755,133
Cost of sales	8,418,786	14,072,207
	1,864,222	3,682,926
Expenses:		
Selling, general and administrative	1,866,225	1,807,075
Salaries and wages	1,411,627	1,633,126
Interest, dividend and other income	(132,442)	(220,497)
	3,145,410	3,219,704
Income (loss) before income taxes	(1,281,188)	463,222
Provision (benefit) for income taxes	(469,000)	162,000
Net income (loss)	$ (812,188)	$ 301,222
Net income (loss) per common share	$(.16)	$.06
Weighted average number of common shares outstanding during the period	5,168,000	5,181,897

(The accompanying notes are an integral part of
these consolidated financial statements.)

AUTOMOBILE PROTECTION CORPORATION - APCO
CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine Months Ended May 31,	
	1992	1991
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net income (loss)	$ (812,188)	$ 301,222
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	243,894	257,837
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	361,734	(63,114)
Decrease (increase) in advances and notes receivables from officers and employees	23,752	(63,140)
Decrease (increase) in inventory	5,580	(83,797)
Increase in income tax refund receivable	(457,595)	
Decrease in prepaid expenses and other assets	17,713	15,501
Increase (decrease) in payable to managing general agents and insurers for service contracts	434,682	(134,995)
Increase in accounts payable	52,238	35,376
Decrease in commissions payable	(157,192)	(47,630)
Decrease in accrued liabilities	(57,551)	(37,004)
Decrease in income taxes payable	(127,295)	(2,010)
Total adjustments	339,960	(122,976)
Net cash (used in) provided by operating activities	(472,228)	178,246
Cash flows from investing activities:		
Sales (purchases) of marketable securities, net	913,624	(271,493)
Purchases of property and equipment	(121,922)	(167,416)
Net cash provided by (used in) investing activities	791,702	(438,909)
Net increase (decrease) in cash	319,474	(260,663)
Cash and cash equivalents at beginning of period	1,750,240	1,908,383
Cash and cash equivalents at end of period	$2,069,714	$1,647,720
Supplemental disclosure of cash flow information:		
Cash paid during the period for income taxes	$ 116,000	$ 154,000

(The accompanying notes are an integral part of these consolidated financial statements.)

AUTOMOBILE PROTECTION CORPORATION - APCO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the periods indicated.

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. Certain information and footnote disclosures normally included in financial statements prepared in conformity with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. These condensed financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company's 1991 Annual Report on Form 10-K.

Because of seasonal and other factors, the results of operations for the three month and nine month periods ended May 31, 1992 are not necessarily indicative of the results of operations to be expected for the fiscal year ending August 31, 1992.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of AUTOMOBILE PROTECTION CORPORATION - APCO and its wholly-owned subsidiaries, APCO Finance and Insurance Systems, Inc., Aftermarket Profit Plus, Inc., W.I.N. Systems, Inc. and The Aegis Group, Inc.. All significant intercompany transactions and balances have been eliminated in consolidation.

Revenues from the sales of extended vehicle service contracts and warranty programs sold by dealers are recognized when the service contract or warranty sold by the dealer is approved and accepted by the Company.

Revenues from sales of software are recognized when the software is shipped to the customer. The Company offers maintenance contracts on software products which are recognized as revenue on a pro rata basis over the term of the maintenance contract.

Marketable securities are stated at the lower of cost or market, determined as of the balance sheet date. Realized gains and losses on sales of securities during the periods presented were not significant.

Payable to managing general agents and insurers represents the unremitted amount of premiums and administrative fees due to managing general agents and insurers for service contracts and warranty programs sold by dealers which are administered by the Company. Such amount is recognized as a part of cost of sales when the service contract or warranty is processed and accepted by the Company.

Goodwill, Computer Software and Intangible Assets - Goodwill, which represents the excess of the purchase price over the fair value of the acquired assets, is being amortized on a straight-line basis over a ten year period. Computer software represents the estimated fair value of the computer software which was acquired by the Company. The Company amortizes software over its estimated useful life of five years on a straight-line basis. Intangible assets consist of the value of purchased customer accounts, trademarks and other similar assets which are being amortized over a five year period on a straight-line basis.

Net income per common share is based upon the weighted average number of shares outstanding during each period. On December 15, 1990, the Company acquired and immediately retired 36,000 shares of its common stock from a former employee as consideration for certain outstanding employee advances. The retirement of such shares is included in the weighted average number of shares outstanding for each of the periods presented.

Reclassifications - Certain prior period amounts were reclassified for comparative purposes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is management's discussion and analysis of certain significant factors which have affected the Company's financial position and operations during the periods included in the accompanying consolidated financial statements. The discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and related notes appearing elsewhere herein.

Results of Operations

Three Months Ended May 31, 1992 ("the 1992 Period") Compared to the Three Months Ended May 31, 1991 ("the 1991 Period")

Revenues decreased in the 1992 Period by $1,738,325 or 32% to $3,664,367 compared revenues of $5,402,692 in the 1991 Period. The decrease in revenues during the third quarter of Fiscal 1992 primarily was the result of two factors.

The first factor, and the most important, was the decision of the Company in August 1991 to transition Company administered dealer vehicle service contracts with Underwriters at Lloyd's of London ("Lloyds"). The transition began in August 1991 for those dealers covered by the Marketing Arrangement discussed below and was completed in May 1992. As of June 1, 1992 all of the vehicle service contracts of which are currently administered by the Company are now being underwritten by Lloyds. The delay in having the last group of dealers converted to the Lloyds program was primarily due to time required to comply with certain state regulatory requirements and obtain lender approvals.

The transition from previous insurance underwriters to Lloyds took longer than expected and required a greater amount of corporate resources than originally anticipated. The Company encountered development and start-up delays with the Lloyd's program, and there were unexpected complexities in meeting various state regulatory requirements and obtaining certain lender approvals due to the unique nature of the Lloyd's program; all of these elements increased the time and cost of transition and resulted in higher expenses associated with the Lloyds program. Moreover, because of the transition itself and delays, the marketing efforts of the Company were severely disrupted during the first, second and third quarters of Fiscal 1992 while a large number of dealers took a "wait and see" position before agreeing to use the Company to administer their vehicle service contracts under the Company's Lloyds program. As a result of all this, the Company experienced a significant decline in revenues and a reduction in the number of dealers using the services of the Company.

During the third quarter of the Fiscal 1992, marketing efforts for the Company's services and products began to return to normal levels and the Company began once again to service some of the dealers which stopped employing the Company during the transition period. Additionally, during the third quarter of Fiscal 1992, the Company was successful in attracting new dealers and independent agents to market its services and products through its agreements with Lloyds such that the number of dealers serviced by the Company began to return to the level before the transition period. However, the Company is unable to predict when, or if, that dealer level will be achieved and when, or if, revenues will return to the prior levels.

The second factor, which has been affecting the Company for the last couple of fiscal years and is expected to continue to affect the Company in the future, is that the automotive industry is in the midst of one of the worst periods of automobile and truck sales in recent history. In general, since dealers have been selling fewer vehicles, there have been fewer opportunities for dealers to employ the services and sell the products of the Company. Management believes that the U.S. market for automobiles and trucks will continue to remain weak throughout 1992 and is unable to predict what impact the continuing weakness will have on the Company's results of operations and financial condition in the future.

In fiscal 1990 the Company entered into a marketing arrangement (the "Marketing Arrangement") with one of the nation's largest consulting and marketing organizations of services and products to dealers (the "Marketing Company"). Under the terms of the Marketing Arrangement, the Marketing Company acts as an agent for the Company in soliciting individual dealerships to enter into Dealer Agreements with the Company. Revenues arising from such agreements accounted for approximately 35% and 43% of the Company's total revenues in the 1992 Period and the 1991 Period, respectively. The decline in revenues from the Marketing Arrangement is primarily a result of the Company's inability to obtain both (i) proper regulatory approvals in certain states, and (ii) lender approvals, prior to the transition of business to Lloyd's. Revenues under the Marketing Arrangement were also adversely affected by the overall weakness of the economy and the decline in automobile sales in the 1992 Period as well as certain corporate changes made at the Marketing Company.

The Company also has an agreement with a distributor of foreign vehicles (the "Distributor Agreement") pursuant to which the distributor assists the Company in marketing its vehicle service contract programs to its affiliated dealers. As a result, the Company has entered into individual dealer agreements with many of the distributor's independent dealers. Revenues arising from service contracts written by dealers represented by the distributor accounted for approximately 1% and 7% of the Company's revenues during the 1992 Period 1991 Period, respectively. The Distributor Agreement was terminated on May 1, 1992, at which time the Company began marketing its vehicle service contract programs directly to the distributor's independent dealers. To date, the Company has been successful in retaining many of the distributor's independent dealers.

Cost of sales, which consists of selling commissions paid to the Company's independent agents and the cost of obtaining insurance to cover the Company's and its dealers' obligations under the vehicle service contract, as a percentage of revenues decreased slightly to 80% in the 1992 Period from 82% in the 1991 Period. The decrease is primarily the result of the Company's ability to pass on the increased costs associated with the Company's decision to change insurance underwriters and fluctuations in both the mix in the type of vehicle service contracts sold during the periods and the make and model of the related vehicles.

Selling, general and administrative expenses increased by $39,707 to $681,738 in the 1992 Period from $642,031 in the 1991 Period.

Salaries and wages decreased by $130,086 to $424,641 in the 1992 Period from $554,727 in the 1991 Period. The decrease is primarily due to changes in compensation plans for certain personnel whereby a larger portion of certain employees' compensation is now derived from performance and incentive based compensation. In addition, the Company was able to eliminate several positions as a result of reduced volume.

Interest, dividend and other income decreased by $58,889 to $36,720. The Company maintains a policy of investing all funds on hand in excess of its immediate requirements in interest bearing accounts and other securities. The decrease in interest, dividend and other income is primarily the result of a decline in interest rates in the 1992 Period as compared to the 1991 Period and a reduction in funds on hand available for investment due to the use of cash to fund current operating deficits.

The Company recorded a net loss of $232,083 ($.04 per share) in the 1992 Period compared to a net loss of $68,672 ($.01 per share) in the 1991 Period. As discussed above, the 1992 Period was adversely affected by the Company's decision to change insurance underwriters and continued weak automobile sales.

Nine Months Ended May 31, 1992 ("the 1992 Period") Compared to the Nine Months Ended May 31, 1991 ("the 1991 Period")

Revenues decreased in the 1992 Period by $7,472,125 or 42% to $10,283,008 compared to revenues of $17,755,133 in the 1991 Period. Revenues arising from the Marketing Agreement accounted for approximately 33% and 45% of the Company's total revenues in the 1992 Period and the 1991 Period, respectively. Revenues arising from service contracts written by dealers represented by the Distributor accounted for 6% and 9%, of the Company's revenues during the 1992 Period and the 1991 Period, respectively. In general, the decline in revenues for the 1992 Period from those of the 1991 Period are attributable to the same reasons discussed above for the comparison of the three month periods ended May 31, 1992 and 1991.

Cost of sales, as a percentage of revenues increased to 82% in the 1992 Period from 79% in the 1991 Period. The increase is primarily the result of increased costs associated with the Company's decision to change insurance underwriters and fluctuations in the mix of vehicle service contracts sold during the periods.

Selling, general and administrative expenses increased by $59,150 to $1,866,625 in the 1992 Period from $1,807,075 in the 1991 Period.

Salaries and wages decreased by $221,499 to $1,411,627 in the 1992 Period from $1,633,126 in the 1991 Period as a result of changes in compensation plans and a reduction in personnel.

Interest, dividend and other income decreased by $88,055 to $132,442. The decrease in interest, dividend and other income is primarily the result of a decline in interest rates in the 1992 Period as compared to the 1991 Period and a reduction in funds on hand available for investment due to the use of cash to fund current operating deficits.

The Company recorded a net loss of $812,188 ($.16 per share) in the 1992 Period compared to net income of $301,222 ($.06 per share) in the 1991 Period. As discussed above, the 1992 Period was adversely affected by weak automobile sales and the Company's decision to change insurance underwriters.

Liquidity and Capital Resources

The Company generally funds its capital requirements with internally generated funds. However, as a result of losses incurred in the nine month period ended May 31, 1992 the Company used cash assets of $472,228 during the nine month period ended May 31, 1992, to fund operating activities. The Company anticipates that it will continue to operate at a deficit cash flow through at least the end of June, 1992. Such operating deficits will be funded through the use of working capital, principally the liquidation of marketable securities and use of available cash. As a result of a cost containment program enacted on April 1, 1992 and recent successes of our marketing the Lloyd's programs, the Company anticipates that its fourth quarter cash flow deficit, if any, will not be as great as that experienced in the current quarter.

The Company believes that its working capital and anticipated levels of internally generated funds will be sufficient to fund its financial requirements for at least the next twelve months. This estimate is based on the Company's current level of operations and certain assumptions relating to the Company's business and planned growth. In the event that the Company should find that its current resources combined with its ability to internally generate funds is insufficient to satisfy its future capital needs, the Company will require additional financing from outside sources.

At May 31, 1992, the Company had working capital of $2,165,476 and no long-term debt or capitalized lease obligations. During the nine month period ended May 31, 1992, working capital decreased by $749,215 over that as of August 31, 1991. The decrease in working capital is primarily attributable to the Company's net loss of $812,188 recorded in the nine month period ended May 31, 1992.

II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:
None.

(b) Reports on From 8-K:
None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AUTOMOBILE PROTECTION CORPORATION - APCO

Date: July 14, 1992

(Martin J. Blank, Secretary)
(Duly Authorized Officer)

Date: July 14, 1992

(Joel E. Marks, Vice President,
Principal Financial and
Accounting Officer)

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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QUARTERLY REPORT UNDER SECTION 13 or 15(d)
of the SECURITIES EXCHANGE ACT of 1934

FORM 10-Q

For the Quarter Ended February 29, 1992-

-Commission File Number 0-28-44 (Blue Ridge)
0-28-43 (Big Boulder)

1. BLUE RIDGE REAL ESTATE COMPANY 0-2844
2. BIG BOULDER CORPORATION /PA 0-2843

Pennsylvania
(State or other jurisdiction of incorporation or organization)

24-0854342 (Blue Ridge)
24-0822326 (Big Boulder)
(I.R.S. Employer Identification Number)

Blakeslee, Pennsylvania
(Address of principal executive offices)

18610
(Zip Code)

Registrant's telephone number, including area code: 717 - 443 - 8433

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period of this report:

Class	Outstanding at February 29, 1992
Common Stock, without par value, stated value $.30 per combined share*	2,139,693

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*Under a Security Combination Agreement between Blue Ridge Real Estate Company ("Blue Ridge") and Big Boulder Corporation ("Big Boulder") (referred to as the "Corporations") and under the by-laws of the Corporations, shares of the Corporations are combined in unit certificates, each certificate representing the same number of shares of each of the Corporations. Shares of each Corporation may be transferred only together with an equal number of shares of the other Corporation. For this reason, a combined Blue Ridge/Big Boulder Form 10-Q is being filed. Except as otherwise indicated, all information applies to both Corporations.

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BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES
BIG BOULDER CORPCRATION and SUBSIDIARIES
COMBINED CONDENSED BALANCE SHEETS
(UNAUDITED)

ASSETS

	February 29, 1992	May 31, 1991
Current Assets:		
Cash (including interest bearing deposits of $3,485,412 at February 29, 1992 and $2,127,090 at May 31, 1991)	$3,490,409	$2,464,136
Current installments of mortgage notes receivable	20,984	20,984
Accounts receivable	404,358	308,222
Insurance and other receivables	89,215	89,215
Refundable income taxes	--	301,364
Prepaid expenses, principally insurance and real estate taxes	292,316	207,963
Deferred operating costs-net of deferred revenue-ski facilities	47,641	--
Total current assets	4,344,923	3,391,884
Mortgage notes receivable, less current installments	68,699	80,363
Properties:		
Land, principally unimproved	1,877,259	1,831,977
Land improvements	6,477,754	6,401,347
Corporate buildings	423,422	423,422
Buildings leased to others including land of $1,056,700	7,188,062	7,166,013
Ski facilities		
Land	4,552	4,552
Land improvements	3,356,390	3,164,570
Buildings	6,386,956	6,080,276
Machinery & equipment	14,970,016	14,210,429
Equipment and furnishings	813,217	815,465
Improvements in progress	212,761	249,046
	41,710,389	40,347,097
Less accumulated depreciation & amortization	18,697,777	17,123,800
	23,012,612	23,223,297
	$27,426,234	$26,695,544

See accompanying notes to unaudited financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	February 29, 1992	May 31, 1991
Current Liabilities:		
Current installments of long-term debt	$2,171,277	$ 784,445
Accounts payable	1,088,093	868,825
Deferred revenue	80,348	156,138
Accrued income taxes and Other liabilities	1,435,397	826,613
Total current liabilities	4,775,115	2,636,021
Long-term debt, less current installments	8,086,778	9,947,730
Deferred income taxes	3,079,950	3,079,950
Combined shareholders' equity:		
Capital Stock, without par value stated value $.30 per combined share, Blue Ridge and Big Boulder each have authorized 3,000,000 shares and each have issued 2,198,148 shares on February 29, 1992 and on May 31, 1991	659,444	659,444
Capital in excess of stated value	1,461,748	1,461,748
Earnings retained in the business	9,743,498	8,994,229
	11,864,690	11,115,421
LESS: Cost of 58,455 and 8,455 shares of capital stock in Treasury at February 29, 1992 and May 31, 1991, respectively	(380,299)	(83,578)
	11,484,391	11,031,843
	$27,426,234	$26,695,544

See accompanying notes to unaudited financial statements.

BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES
BIG BOULDER CORPORATION and SUBSIDIARIES
COMBINED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended February 29 & 28		Nine months ended February 29 & 28	
	1992	1991	1992	1991
Revenues:				
Ski Facilities	$7,679,643	$6,291,489	$7,679,643	$6,291,489
Disposition of land	290,600	--	1,268,694	1,115,200
Real Estate Management & rental operations	861.195	1,269,146	2,669,295	3,114,812
Land & Land improvements-rents, royalties, etc.	69,218	79,328	224,830	232,173
	8,900,656	7,639,963	11,842,462	10,753,674
Costs and expenses:				
Operating costs	7,333,183	7,513,622	9,032,557	9,490,400
Cost of properties disposed	14,556	--	19,292	17,154
General & administrative expenses	338,105	304,338	912,612	1,112,503
	7,685,844	7,817,960	9,964,461	10,620,057
Income (loss) from operations	1,214,812	(177,997)	1,878,001	133,617
Other income (expense):				
Gain on disposition of Investment Property	--	247,502	--	247,502
Interest and other income	28,041	32,499	70,532	82,485
Interest expense	(307,688)	(264,118)	(759,264)	(723,769)
	(279,647)	15,883	(688,732)	(393,782)
Income (loss) before income taxes	935,165	(162,114)	1,189,269	(260,165)
Provision (credit) for income taxes	345,500	(59,800)	440,000	(96,300)
Net income <loss>	$589,665	($102,314)	$749,269	($163,865)
Net income (loss) per weighted average combined shares outstanding	$.28	($.05)	$.35	($.08)
Cash Dividends per combined share	$ --	$ --	$ --	$.05
Weighted average combined shares outstanding	2,140,194	2,194,442	2,169,633	2,194,442

See accompanying notes to unaudited financial statements

BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES
BIG BOULDER CORPORATION and SUBSIDIARIES
COMBINED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

Nine months ended February 29 and February 28	1992	1991
Cash Flows From Operating Activities:		
Net income (loss)	$749,269	$(163,865)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation & amortization	1,753,220	1,764,968
Gain on Disposition of Investment Property	--	(247,502)
Deferred revenue	(75,790)	(62,078)
Changes in assets and liabilities:		
Accounts & other receivables	205,228	233,971
Prepaid expenses & other current assets	(131,994)	(300,262)
Accounts payable	219,268	780,492
Accrued income taxes & other liabilities	608,784	(428,363)
Net cash provided by operating activities	3,327,985	1,577,361
Cash Flows From Investing Activities:		
Restricted cash used	--	1,634,480
Restricted cash received	--	(1,148,931)
Collection of mortgage receivables	11,664	10,139
Proceeds from Disposition of Investment Property	--	600,000
Additions to properties	(1,542,535)	(3,204,999)
Net cash (used in) investing activities	(1,530,871)	(2,109,311)
Cash Flows From Financing Activities:		
Purchase of Treasury Stock	(296,721)	(48,175)
Borrowings under notes payable, bank	743,000	--
Payment of notes payable, bank	(743,000)	--
Proceeds from long-term debt	--	2,450,000
Payment of long-term debt	(474,120)	(463,565)
Dividends paid	--	(109,907)
Net cash provided by (used in) financing activities	(770,841)	1,828,353
Net increase in cash and cash equivalents	1,026,273	1,296,403
Cash and cash equivalents, beginning of period	2,464,136	453,896
Cash and cash equivalents, end of period	$3,490,409	$1,750,299
Supplemental disclosures of cash flow information:		
Cash paid during the period:		
Interest	$766,060	$724,123
Income taxes	$2,075	$16,939

See accompanying notes to unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

1. The combined financial statements include the accounts of Blue Ridge Real Estate Company and its wholly-owned subsidiaries (Northeast Land Company, Jack Frost Mountain Company and BRRE Holdings, Inc.) and Big Boulder Corporation and its wholly-owned subsidiaries (Lake Mountain Company and BBC Holdings, Inc.). In the opinion of Management, the accompanying unaudited combined condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the combined financial position as of February 29, 1992 and May 31, 1991, the combined results of operations for the three and nine month periods ended February 29, 1992 and February 28, 1991 and the statements of cash flows for the nine month periods ended February 29, 1992 and February 28, 1991.

2. The results of operations for the three and nine months are not necessarily indicative of the results to be expected for the full year since (a) the companies' two ski facilities operate principally during the months of December through March and (b) land dispositions occur sporadically and do not follow any pattern during the fiscal year. Costs and expenses net of revenues received in advance attributable to the ski facilities for the months of June through November are deferred and recognized as revenue and operating expenses, ratably, over the operating period.

3. The provision and credit for income taxes for the accompanying combined condensed Statements of Operations represents the allocation of the estimated annual effective tax rate for the 12 months ending May 31, 1992 and 1991, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Net income for the Three and Nine Months ended February 29, 1992 (Fiscal 1992) was $.28 and $.35 per share, respectively. For the same periods of the preceding year (Fiscal 1991) there was a net loss of ($.05) and ($.08) per share, respectively.

The combined Gross Revenue of $11,912,994 for the First Nine Months of Fiscal 1992 increased by $1,076,835 when compared to the same period in Fiscal 1991. The companies experienced increases in ski facilities of $1,388,154 and disposition of land of $153,494. The Companies experienced decreases in real estate management and rental operations of $445,517, land and land improvements of $7,343, and interest and other income of $11,953.

For the Third Quarter of Fiscal 1992 Combined Gross Revenue increased by $1,256,235 when compared to the similar period in Fiscal 1991. The Companies experienced increases in ski facilities of $1,388,154 and disposition of land of $290,600. The Companies experienced decreases in real estate management and rental operations of of $407,951, land and land improvements of $10,110 and interest and other income of $4,458.

The increase in ski facilities revenue for Three and Nine Months ended February 29, 1992 of $1,256,235 is attributed to increases in food and beverage revenue of $1,020,599 and ski revenue of $235,636. Food and beverage was operated by the ski facilities compared to a concessionaire in Fiscal 1991.

The decrease in real estate management and rental operations for the Third Quarter of Fiscal 1992 is attributed to decreases in revenue at the Blue Heron Inn of $164,433, service and fees to the resort communities of $189,849, resort community rental program of $48,794, Village resales of $32,773 and recreation activities of $1,522. These decreases are offset by increases in revenue from investment properties of $29,420. The Blue Heron Inn is leased to an operator for Fiscal 1992, in Fiscal 1991 this was operated internally.

The decrease in real estate management and rental operations for the First Nine Months of Fiscal 1992 is attributed to the decreases in revenues at the Blue Heron Inn of $450,657, resort community rental program of $82,341, Village resales of $76,738. These decreases are offset by increases in revenue from investment properties of $87,288, services and fees to resort communities of $65,268 and recreation activities of $11,663.

The decrease in revenues from land and land improvements for the Third Quarter and the First Nine Months of Fiscal 1992 is attributed to less fees for recreational leases and related activities.

The decrease in interest and other income for the Three and Nine Months ending February 29, 1992 was due to reduced interest rates on short term investments.

Results of Operations (Continued)

During the Third Quarter of Fiscal 1992 the Companies experienced land sales of $290,600 compared to none for the Third Quarter of Fiscal 1991.

During the First Nine Months of Fiscal 1992 the Companies experienced land sales of $1,268,694 compared to $1,115,200 for the same period in Fiscal 1991.

The combined expenses decreased $620,101 for the First Nine Months of Fiscal 1992 when compared to the same period in Fiscal 1991. The decreases occurred in operating costs by $457,843 and General and Administrative expenses by $199,891. These decreases are offset by increases in cost of properties disposed by $2,138 and interest expense by $35,495.

For the Third Quarter of Fiscal 1992 combined expenses decreased by $88,546. The decrease in operating cost of $180,439 is offset by increases in cost of properties sold by $14,556, general and administration by $33,767 and interest expense by $43,570.

Operating costs decreased for the First Nine Months of Fiscal 1992 when compared to the same period in Fiscal 1991 because operations at the Blue Heron Inn were terminated and the facility was leased to a operator. This reduced operating costs by $489,783. Costs increased at the ski areas for Fiscal 1992 compared to Fiscal 1991 because food and beverage was operated internally instead of being leased to a private concessionaire. This increased operating cost by $669,950. Also, costs decreased in ski area (non-food and beverage) by $317,063, rental operations by $140,716, Village resales by $256,111, services provided to resort communities by $26,470 and recreation activities by $27,381. These decreases are offset by increases in investment properties by $64,469, land parcel development by $63,696 and rents and royalties by $1,566.

Operating costs decreased for the Third Quarter of Fiscal 1992, when compared to the Third Quarter of Fiscal 1991, due to a lease with a private operator at the Blue Heron Inn by $194,148. Also, cost decreased in Village resales by $139,212, rental operation of resort communities by $56,602, services to the resort communities by $12,652, and recreation activities by $2,393. The decreases are offset by increases in the ski area by $188,795 because of food and beverage, land parcel development by $22,003, investment properties by $10,650 and rents and royalties by $3,120.

The cost of disposition of land increased for the Third Quarter and nine months of Fiscal 1992 due to the costs associated to properties disposed.

General and administrative expenses for the Nine Months of Fiscal 1992 decreased primarily because of decreased consultant fees, employee costs and professional fees.

Interest expense increased for the Third Quarter and Nine Months of Fiscal 1992 due to the financing of the Walmart property

Results of Operations (Continued)

The effective income tax rate for the Nine Months of Fiscal 1992 was 37% the same as Fiscal Year 1991. State taxes account primarily for the Fiscal 1992 and 1991 effective rates being greater than the federal statutory rate of 34%. In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", (SFAS 109), which the companies will be required to adopt no later than First Quarter of Fiscal 1994. This pronouncement provides for income tax accounting under the liability method, which includes a requirement for adjustment of deferred tax balances for tax rate changes. The immediate effect (of adopting SFAS 109) on net income will depend principally on enacted tax rates at the date of adoption; also, future years' net income will be subject to increased volatility depending upon the frequency of tax rate changes. The financial impact (of adopting SFAS 109) is not known at this time.

Financial Condition, Liquidity and Capital Resources

Working capital as of February 29, 1992 decreased by $1,186,055 as compared to May 31, 1991. This was due principally to capital improvements of $1,363,292 and payments of long-term debt of $474,120. Financing of $1,477,216 applicable to our Dresher shopping center matures in Fiscal 1993 and is currently being negotiated.

The change in the balances of accounts receivable, deferred operating costs and accrued liabilities from May 31, 1991 to February 29, 1992 was due primarily to revenue and expenses that are applicable to the ski facilities. Operating costs are deferred and expensed ratably during the months of December through March through Fiscal 1992.

The Companies have a $2,000,000 Line of Credit that is available for short term borrowing through Fiscal 1992.

Moving Forward

Capital investments for Fiscal 1992 included the installation of a quad chairlift at Jack Frost Mountain to replace the twenty year old lift that serviced our expert slopes. In addition, the seating capacity in the Glass House at Big Boulder Ski Area was expanded by 225 seats.

Beginning with Fiscal 1992 the ski areas are responsible for the food and beverage operations. In prior years this was operated by a concessionaire. Currently revenue and expenses are shown separately and in prior years the revenues and expenses were shown as a net commission.

The Blue Heron Inn has been leased to a private operator. It was opened for operation on December 20, 1991 under the name of the Blue Heron Grille.

The Companies are currently packaging parcels of land for development. The resulting direct sales, joint ventures or development through our own Companies' efforts are expected to enhance the profitability of the Companies.

State and Federal wetland and earth disturbance permits have been approved for the planned 800 acre golf course community at Jack Frost Mountain. Additional permits are being obtained from the Delaware River Basin Commission and the local municipality. Parcels surrounding the planned golf course will be included in the Companies' overall plan to package land for development.

PART II - OTHER INFORMATION

Reports on Form 8-K

The Companies have no matters to report with respect to:

Items 1, 2, 3, 4, 5, 6A and 6B.

FORM 10-Q

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BLUE RIDGE REAL ESTATE COMPANY
BIG BOULDER CORPORATION
(Registrant)

(Signature)
GARY A. SMITH
SENIOR VICE PRESIDENT
AND TREASURER

4-10-92
(Date)

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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F O R M 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended
March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT of 1934

For the Transition Period From ________ to __________

Commission File No. 0-19363

CELLULAR COMMUNICATIONS INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-3221852 (I.R.S. Employer Identification No.)
150 East 58th Street, New York, New York (Address of principal executive offices)	10155 (Zip Code)

(212) 906-8480
(Registrant's telephone number, including area code)

The registrant hereby indicates by check mark whether it (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

The number of shares outstanding of the issuer's common stock as of March 31, 1992 was 6,639,754.

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CELLULAR COMMUNICATIONS INTERNATIONAL, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Cellular Communications International, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

	March 31 1992 (Unaudited)	December 31 1991 (See Note)
Assets		
Current assets:		
Cash	$ 3,835,000	$ 4,295,000
Interest receivable	8,000	11,000
Prepaid expenses	11,000	
Total current assets	3,854,000	4,306,000
Investment in joint venture	354,000	286,000
Investment in Cellular Communications, Inc. preferred stock-at cost, plus accrued dividends of $375,000 in 1992 and $200,000 in 1991	10,375,000	10,200,000
Deferred costs	168,000	95,000
	$14,751,000	$ 14,887,000
Liabilities and shareholders' equity		
Current liabilities:		
Accrued expenses	$ 92,000	$ 104,000
Franchise tax payable	35,000	168,000
Due to Cellular Communications, Inc.	121,000	111,000
Total current liabilities	248,000	383,000
Shareholders' equity		
Common stock-$.01 par value; authorized 25,000,000 shares; issued and outstanding 6,640,000 (1992) and 6,625,000 (1991) shares	66,000	66,000
Series preferred stock-$.01 par value; authorized 2,500,000 shares; outstanding none		
Additional paid-in capital	16,337,000	16,335,000
(Deficit)	(1,900,000)	(1,897,000)
	14,503,000	14,504,000
	$14,751,000	$ 14,887,000

Note: The balance sheet at December 31, 1991 has been derived from the audited financial statements at that date.

See accompanying notes.

Cellular Communications International, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended March 31 1992	1991
General and administrative expenses	$ 211,000	$ 47,000
Equity in loss of joint venture		20,000
Operating (loss)	(211,000)	(67,000)
Interest and dividend income	208,000	
Net (loss)	$ (3,000)	$ (67,000)
Net (loss) per common share	$ (0.00)	$ (.01)
Weighted average number of common shares used in computation of net (loss) per share	6,636,000	6,625,000

See accompanying notes.

Cellular Communications International, Inc. and Subsidiaries

Condensed Consolidated Statement of Shareholders' Equity

(Unaudited)

	Common Stock		Additional	
	Shares	Amount	Paid-in capital	(Deficit)
Balance at December 31, 1991	6,625,300	$66,000	$16,335,000	$(1,897,000)
Exercise of purchase rights	13,837	--		
Exercise of options	617	--	2,000	
Net loss for the three months ended March 31, 1992				(3,000)
Balance at March 31, 1992	6,639,754	$66,000	$16,337,000	$(1,900,000)

See accompanying notes.

Cellular Communications International, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended March 31 1992	1991
Net cash (used in) operating activities	$ (321,000)	$ --
Investing activities		
Increase in investment in joint venture	(68,000)	
Increase in deferred costs	(73,000)	
Net cash (used in) investing activities	(141,000)	--
Financing activities		
Exercise of options	2,000	
Net cash provided by financing activities	2,000	--
Decrease in cash	$ (460,000)	$ --
Supplemental schedule of noncash activities:		
Investments in joint ventures and deferred costs contributed by Cellular Communications, Inc.		$ 59,000

See accompanying notes.

Cellular Communications International, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

1. Organization

Cellular Communications International, Inc. ("CCII") was incorporated on May 30, 1984 to own and operate cellular telephone systems in various markets. Prior to 1987, CCII filed applications with the Federal Communications Commission to provide cellular telephone service in various markets. Beginning in 1989, CCII entered into joint ventures to obtain licenses to own and operate mobile telephone networks in various foreign countries.

Prior to July 31, 1991, CCII was a wholly-owned subsidiary of Cellular Communications, Inc. ("CCI"). On July 25, 1990, CCI entered into a Merger and Joint Venture Agreement, as amended as of December 14, 1990 ("Merger Agreement") with PacTel Corporation ("PacTel") whereby, on August 1, 1991, CCI's cellular telephone interests in Ohio and PacTel's cellular telephone interests in Michigan and Ohio were combined into a new joint venture equally owned by the two companies. As part of the Merger Agreement, CCII was distributed to CCI's shareholders on July 31, 1991. CCI's shareholders received one share of CCII's common stock for every six shares of CCI stock owned.

On July 30, 1991, the Board of Directors approved a plan of recapitalization pursuant to which each then outstanding share of CCII's Common Stock was converted into enough shares of CCII's Common Stock so that holders of CCI Common Stock received one share of CCII's Common Stock for every six shares of CCI Common Stock owned. All common stock data in the condensed consolidated financial statements and notes thereto give retroactive effect to the recapitalization prior to the distribution.

2. Basis of Preparation

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulations S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ending December 31, 1992. For further information, refer to CCII's Annual Report on Form 10-K for the year ended December 31, 1991.

CCII gave effect to Staff Accounting Bulletin No. 55 of the Securities and Exchange Commission pursuant to which expenses incurred by CCI through July 31, 1991 on its behalf have been reflected in the accompanying financial statements. Subsequent to the distribution, CCII is being charged for actual costs incurred by CCI on its behalf.

PAGE 1 OF 11

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Results of Operations

Three Months Ended March 31, 1992 and 1991

General and administrative expenses increased from $47,000 in 1991 to $211,000 in 1992 because CCII became a separate public company in 1992 whereas the 1991 amount represents allocations of costs from CCI.

In November 1988, CCII entered into a joint venture for the purpose of applying for licenses in Western Europe ("Eurocell"). Eurocell was not successful in obtaining any licenses and is currently inactive. During 1991, CCII recognized its $20,000 share of Eurocell's loss.

Interest and dividend income increased from none in 1991 to $208,000 in 1992 due to higher cash balances available for investments and accrued dividends on CCI preferred stock.

Liquidity and Capital Resources

CCII's investments and operations were funded by CCI until the July 31, 1991 distribution. Prior to the distribution, CCII received $14,257,000 in cash from CCI. If requested by CCII, CCI will be obligated to guarantee up to $85 million of CCII's indebtness, subject to certain conditions contained in the Merger Agreement. These conditions include, among other matters, that the indebtedness guaranteed may only be used for participation in cellular telephone consortiums in Italy, Benelux, Spain, Scandinavia, Eastern Europe and the former Soviet Union which have been granted licenses, and that the guarantee will expire no later than July 31, 1994 (or earlier if, among other reasons, certain events constituting a change in control of CCII occur). The guaranty may be limited or terminated in the event that PacTel determines that such guaranty would materially disadvantage PacTel in participating in a communications or information opportunity.

In September 1991, CCII purchased $10,000,000 of CCI Series A Preference Stock. The CCI Series A Preference Stock has (i) a stated value of $1,000 per share, (ii) cumulative dividends of 7% of the stated value per share per annum, (iii) no voting rights, (iv) a liquidation preference of $1 per share, (v) a ranking junior to CCI's Class A Preferred Stock, Series B Preferred Stock, Redeemable Participating Convertible Preferred Stock and Series D Junior Participating Preference Stock and senior to CCI's Series A Common Stock and Series C Common Stock, (vi) mandatory redemption on January 6, 1993 at the stated value per share plus accrued dividends, and (vii) an optional redemption provision providing for earlier redemption upon the agreement of CCI and CCII.

In May 1990, CCII entered into a joint venture ("Omnitel") with Ing. C. Olivetti & C., S.p.A., Bell Atlantic International Inc., Shearson Lehman Hutton Eurocell Inc. and Swedish Telecom International, AB for the purpose of obtaining a license to build and operate a cellular mobile telephone network in Italy, San Marino and Vatican City. CCII paid approximately $100,000 for a 14.667 percent interest. Additional contributions in 1992 of approximately $1,300,000 have been approved by the venturers. CCII's share of the additional contributions is approximately $191,000, of which $52,000 was paid in the first quarter of 1992.

CCII's future capital requirements will be based upon the agreements and requirements of the joint ventures in which it is a participant. Management expects to be able to meet CCII's capital requirements through 1992.

Cellular Communications International, Inc. and Subsidiaries

(Continued)

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - None

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CELLULAR COMMUNICATIONS INTERNATIONAL, INC.

Date: May 11, 1992

By:____________________________________
J. Barclay Knapp
Executive Vice President

Date: May 11, 1992

By:____________________________________
Gregg Gorelick
Vice President-Controller
(Chief Accounting Officer)

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal quarter ended May 31, 1992 Commission file No. 0-15320

The Fresh Juice Company, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

11-2771046
(I.R.S. Employer Identification No.)

350 Northern Boulevard
Great Neck, New York
(Address of principal Executive offices)

11021
(Zip Code)

Registrant's telephone number, including area code (516) 482-5190

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

The number of shares of $.01 par value Common Stock outstanding as of July 10, 1992 was 3,661,850.

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THE FRESH JUICE COMPANY, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

May 31, 1992 and November 30, 1991

Assets	May 31, 1992 (unaudited)	November 30, 1991 (audited)
Current assets:		
Cash	$ 746,928	286,594
Short-term investments (note 2)	1,186,000	1,289,000
Trade accounts receivable	531,158	451,171
Inventory	2,531,324	946,954
Other	7,003	7,707
Total current assets	5,002,413	2,981,426
Property and equipment, at cost:		
Equipment	221,303	221,219
Molds	163,903	162,278
Automobiles	55,712	65,881
	440,918	449,378
Less accumulated depreciation	289,233	257,097
	151,685	192,281
Other assets	-	64,125
Trademark and patent, net of accumulated amortization of $32,610 at May 31, 1992 and $30,276 at November 30, 1991	13,298	13,614
	$ 5,167,396	3,251,446
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	1,858,600	15,980
Accrued expenses	131,563	119,572
Income taxes payable	18,392	87,444
Other	19,215	16,087
Total current liabilities	2,027,770	239,083
Shareholders' equity (note 3):		
Series preferred stock par value $10. Authorized 200,000 shares; none issued (note 6)		
Common stock par value $.01. Authorized 5,000,000 shares; issued 3,762,000 shares; outstanding 3,661,850 shares at May 31, 1992 and 3,675,850 shares at November 30, 1991	37,620	37,620
Additional paid-in capital	2,396,490	2,396,490
Retained earnings	781,796	641,852
	3,215,906	3,075,962
Less cost of common shares held in treasury; 100,150 at May 31, 1992 and 86,150 at November 30, 1991	76,280	63,599
Total shareholders' equity	3,139,626	3,012,363
Commitments (notes 5 and 7)		
	$ 5,167,396	3,251,446

See accompanying notes to consolidated financial statements.

THE FRESH JUICE COMPANY, INC.
AND SUBSIDIARIES

Consolidated Statements of Earnings

For the three and six months ended May 31, 1992 and 1991
(Unaudited)

	Three months ended May 31,		Six months ended May 31,	
	1992	1991	1992	1991
Net sales	$ 1,760,495	1,177,970	3,282,298	2,124,179
Cost of goods sold	1,212,850	770,848	2,189,830	1,378,791
	547,645	407,122	1,092,468	745,388
Selling, general and administrative expenses (notes 5 and 7)	470,333	301,287	901,422	590,661
Earnings from operations	77,312	105,835	191,046	154,727
Interest income, net	21,359	26,565	45,945	62,384
Earnings before income taxes	98,671	132,400	239,991	217,111
Provision for income taxes (note 4)	42,862	52,032	97,047	88,907
Net earnings	$ 55,809	80,368	139,944	128,204
Net earnings per common share	$ .02	.02	.04	.03
Weighted average number of shares outstanding	3,664,864	3,701,509	3,664,864	3,701,509

See accompanying notes to consolidated financial statements.

THE FRESH JUICE COMPANY, INC.
AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity

Six months ended May 31, 1992

(Unaudited)

	Common stock (note 3)		Additional paid-in capital	Retained earnings	Treasury stock	Total share-holders' equity
	Shares	Amount				
Balance at November 30, 1991	3,762,000	$ 37,620	2,396,490	641,852	(63,599)	3,012,363
Purchase of treasury stock	–	–	–	–	(12,681)	(12,681)
Net earnings for the six months ended May 31, 1992	–	–	–	139,944	–	139,944
Balance at May 31, 1992	3,762,000	$ 37,620	2,396,490	781,796	(76,280)	3,139,626

See accompanying notes to consolidated financial statements.

THE FRESH JUICE COMPANY, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Six months ended May 31, 1992 and 1991

(Unaudited)

	1992	1991
Cash flows from operating activities:		
Net earnings	$ 139,944	128,205
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	48,157	40,439
Loss on disposal of property and equipment	63,438	-
Changes in assets and liabilities:		
Increase in trade accounts receivable	(79,987)	(46,169)
Increase in inventory	(1,584,370)	(1,467,853)
Decrease (increase) in other current assets	704	(11,912)
Increase in other assets	-	(72,620)
Increase in accounts payable	1,842,620	979,071
Increase in accrued expenses	11,991	16,719
Decrease in income taxes payable	(69,052)	(107,284)
Increase in other current liabilities	3,128	12,358
Net cash provided by (used in) operating activities	376,573	(529,046)
Cash flows from investing activities:		
Increase in short-term investments	103,000	1,092,000
Acquisitions of property and equipment	(18,558)	(80,548)
Proceeds on sale of assets	12,000	-
Net cash provided by investing activities	96,442	1,011,452
Cash flows from financing activities:		
Purchase of treasury stock	(12,681)	(26,329)
Net increase in cash	460,334	456,077
Cash at beginning of period	286,594	338,197
Cash at end of period	$ 746,928	794,274

See accompanying notes to consolidated financial statements.

THE FRESH JUICE COMPANY, INC.
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 1992 and November 30, 1991

(1) Summary of Significant Accounting Policies

(a) Financial Statements

The consolidated financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the results of the interim period. All material intercompany accounts and transactions have been eliminated.

(b) Organization

The Fresh Juice Company, Inc. and subsidiaries (the "Company") markets and distributes frozen fresh-squeezed fruit juices and other related products through supermarket chains and other retail outlets.

(c) Depreciation

Depreciation is provided over the estimated useful lives of the respective assets (seven years for the equipment and mold and five years for the automobile) using accelerated methods.

(d) Inventory

Inventory is stated at the lower of cost or market using the first-in, first-out (FIFO) method.

(e) Net Earnings Per Share

Net earnings per share of common stock is based on the weighted average number of shares outstanding during the period. For purposes of calculating the weighted average number of shares outstanding, options are considered outstanding as of their date of issue if their conversion would have a dilutive effect on net income per share.

(2) Short-Term Investments

Short-term investments are comprised of certificates of deposit at May 31, 1992 and November 30, 1991.

(Continued)

(3) Shareholders' Equity

During 1988, stock options were issued entitling their holders to purchase 100,000 and 15,000 shares of common stock at $1.375 and $1.25, respectively, per share. These options are outstanding at May 31, 1992 and are exercisable until October 15, 1998. The Company has reserved 115,000 shares of common stock for the potential exercise of these options.

(4) Income Taxes

Income taxes are calculated based on the estimated annual effective income tax rate.

(5) Commitments

The Company is obligated under various operating leases covering its office space and its automobiles. Rent expense for the six months ended May 31, 1992 and 1991 was $10,203 and $9,511, respectively. The aggregate future minimum lease commitments under these leases are as follows:

Year ending November 30	Lease Payments
1992	$ 28,671
1993	28,463
1994	25,520
Total	$ 82,654

The Company has an employment agreement with an officer that calls for annual base payments of $240,000, subject to upward adjustment for increases in the consumer price index. The agreement is renewable through 1995.

(6) Series Preferred Stock

The Company's Board of Directors may, without further action by the Company's shareholders, from time to time direct the issuance of preferred stock in series and, at the time of issuance, determine the rights, preferences and limitations of each series. Satisfaction of any dividend preferences of outstanding preferred stock would reduce the amount of funds available for the payment of dividends on common stock. Also, holders of preferred stock would normally be entitled to receive a preference payment in the event of any liquidation, dissolution or winding-up of the Company before any payment is made to the holders of common stock.

(Continued)

(7) Pension Plan

The Company maintains a simplified employee pension (SEP) plan covering all of its employees. Contributions to the plan, which are discretionary, cannot exceed 15% of the covered employee's salary. Pension expense for the six months ended May 31, 1992 and 1991 was $21,764 and $19,729, respectively.

(8) Loss on Disposal of Assets

In February 1992, the Company disposed of all of its assets related to a certain product line. A loss of $63,438 was recognized in selling, general and administrative expenses as a result of this disposal.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

Net sales for the six months ended May 31, 1992 increased 54.5% to $3,282,298 from the corresponding six months of the preceding year as a result of an increase in sales volume. These increases are due to increased promotional efforts and the addition of a related product line. The related product line was sold in February 1992.

Selling, general and administrative expenses for the six months ended May 31, 1992 increased 52.6% to $901,421 over the corresponding six months of the preceding year primarily due to increased promotional activities.

Gross profit for the six months ended May 31, 1992 also increased to $1,092,468 from $745,388 in the corresponding six months of the preceeding year as a result of the increases in sales volume.

Liquidity

The Company had working capital of $2,974,643 at May 31, 1992 compared to $2,742,343 at November 30, 1991. The Company believes that it has sufficient working capital to meet the demands of its existing customers during fiscal 1992. The Company requires capital to support the level of inventory necessary to meet current demand as well as anticipated future increase in the demand for its product, since the production of juice is seasonal. Accordingly, additional external financing may be required to support the levels of inventory to meet the anticipated future increases in demand.

Inflation

The Company believes that its business is not affected by inflation to any extent greater than that of the general economy.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE FRESH JUICE COMPANY, INC.

Date: July 10, 1992

By:________________________
Steven Smith
Chairman of the Board, President
and Chief Executive Officer

Date: July 10, 1992

By:________________________
Kathy Siegel
Treasurer (principal financial
officer and principal accounting
officer)

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For Quarter Ended May 31, 1992

Commission File Number 0-14587

GENETICS INSTITUTE, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

04-2718435
(I.R.S. Employer Identification No.)

87 CambridgePark Drive, Cambridge, MA
(Address of principal executive offices)

02140
(zip code)

Registrant's telephone number, including area code (617) 876-1170

None
(Former name, former address and former fiscal year if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _____

24,158,729 shares of Common Stock, par value $.01 (including 8,980,970 shares represented by Depositary Shares) were outstanding on July 6, 1992.

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GENETICS INSTITUTE, INC.

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GENETICS INSTITUTE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF MAY 31, 1992 AND NOVEMBER 30, 1991

(In thousands except share data)

ASSETS

	May 31, 1992 (unaudited)	November 30, 1991
CURRENT ASSETS:		
Cash and cash equivalents	$268,337	$ 20,549
Marketable securities	69,992	50,883
Accounts receivable	7,536	13,660
Unbilled services	475	143
Inventories (Note 4)	18,871	19,053
Other current assets	2,375	3,501
Total Current Assets	367,586	107,789
INVESTMENTS IN AFFILIATES	26,311	26,580
PROPERTY, PLANT AND EQUIPMENT, AT COST:		
Land	3,033	3,033
Building and building improvements	37,842	37,227
Equipment, furniture and fixtures	28,243	27,183
Leasehold improvements	10,621	10,230
Less - accumulated depreciation and amortization	(30,044)	(27,328)
Net Property, Plant and Equipment	49,695	50,345
OTHER ASSETS (Note 8)	8,392	7,563
	$451,984	$192,277

The accompanying notes are an integral part of these financial statements.

GENETICS INSTITUTE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF MAY 31, 1992 AND NOVEMBER 30, 1991

(In thousands except share data)

LIABILITIES AND SHAREHOLDERS' EQUITY

	May 31, 1992 (unaudited)	November 30, 1991
CURRENT LIABILITIES:		
Accounts payable	$ 3,333	$ 4,596
Accrued payroll and related items	3,754	2,768
Other accrued expenses	7,817	9,581
Reserve for patent-related damages (Note 5)	11,000	11,000
Total Current Liabilities	25,904	27,945
CONTINGENCIES (Notes 5 and 6)		
SHAREHOLDERS' EQUITY: (Note 2)		
Capital stock -		
Series preferred stock, par value $1.00; authorized 1,555,000 shares;		
Convertible exchangeable preferred stock, issued and outstanding 1,147,205 shares and 1,150,000 shares at May 31, 1992 and November 30, 1991, respectively	1,147	1,150
Common stock, par value $.01; authorized 50,000,000 shares; issued and outstanding 24,155,429 shares and 14,620,113 shares at May 31, 1992 and November 30, 1991, respectively	242	146
Additional paid-in capital	574,775	273,362
Accumulated deficit	(150,084)	(110,326)
Total Shareholders' Equity	426,080	164,332
	$451,984	$192,277

The accompanying notes are an integral part of these financial statements.

GENETICS INSTITUTE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED MAY 31, 1992 AND MAY 31, 1991

(unaudited - in thousands except per share data)

	Three Months Ended May 31,		Six Months Ended May 31,	
	1992	1991	1992	1991 (restated - Note 1)
REVENUE:				
Collaborative research and development	$ 9,418	$ 10, 198	$ 21,278	$ 18,076
Royalties	6,438	4,121	12,580	8,201
Total Revenue	15,856	14,319	33,858	26,277
OPERATING EXPENSES:				
Research and development	19,874	16,482	38,443	32,121
General and administrative	4,095	2,883	7,692	5,414
Amortization of warrants (Note 8)	658	792	1,066	792
Special charge (primarily merger-related in 1992 and patent-related in 1991--Notes 2 and 5)	-	-	30,000	11,000
Total Operating Expenses	24,627	20,157	77,201	49,327
LOSS FROM OPERATIONS	(8,771)	(5,838)	(43,343)	(23,050)
OTHER INCOME (EXPENSE), NET:				
Interest income	4,527	1,237	7,290	2,523
Other, net	(725)	(314)	(1,408)	(650)
Total Other Income, Net	3,802	923	5,882	1,873
NET LOSS	$ (4,969)	$ (4,915)	$ (37,461)	$ (21,177)
DIVIDENDS ON PREFERRED STOCK	$ (1,147)	$ (1,150)	$ (2,297)	$ (2,300)
NET LOSS APPLICABLE TO COMMON SHARES	$ (6,116)	$ (6,065)	$ (39,758)	$ (23,477)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	24,147	14,551	21,770	14,513
NET LOSS PER COMMON SHARE	$ (.25)	$ (.42)	$ (1.83)	$ (1.62)

The accompanying notes are an integral part of these financial statements.

GENETICS INSTITUTE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED MAY 31, 1992 AND MAY 31, 1991

(unaudited - in thousands)

	1992	1991 (restated - Note 1)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(37,461)	$(21,177)
Adjustments to reconcile net loss to net cash used by operating activities -		
Depreciation and amortization	5,260	5,041
Equity in losses of affiliates	269	-
Changes in assets and liabilities -		
Accounts receivable and unbilled services	5,792	6,577
Inventories and other current assets	1,308	(1,594)
Accounts payable	(1,263)	(2,245)
Accrued payroll and other liabilities	(778)	(290)
Reserve for patent-related damages	-	11,000
Other, net	(1,895)	(1,105)
Total adjustments	8,693	17,384
Net cash used by operating activities	(28,768)	(3,793)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of marketable securities	(29,472)	(4,000)
Proceeds from sale/maturity of marketable securities	10,363	16,215
Additions to property, plant and equipment	(3,544)	(4,318)
Investments in affiliates	-	(728)
Net cash (used) provided by investing activities	(22,653)	7,169
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock (Note 2)	300,000	-
Exercise of options, net of repurchases	1,506	3,279
Preferred stock dividends	(2,297)	(2,300)
Payments under capital lease obligations	-	(621)
Net cash provided by financing activities	299,209	358
Net increase in cash and cash equivalents	247,788	3,734
Cash and cash equivalents, beginning of the period	20,549	10,273
Cash and cash equivalents, end of period	$268,337	$14,007

The accompanying notes are an integral part of these financial statements.

GENETICS INSTITUTE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 1992
(unaudited)

1. Basis of Presentation

During fiscal 1991, in the course of a review of a Securities Act of 1933 filing of Genetics Institute, Inc. (the "Company") by the staff of the Securities and Exchange Commission (the "Commission"), certain issues were raised regarding the timing of the write-down taken during the first quarter of fiscal 1991 by the Company with respect to its equity investment in NeoRx Corporation ("NeoRx"). In its financial statements for years prior to fiscal 1991, the Company had recorded an unrealized loss for the difference between its original cost of the NeoRx investment and the market value of such investment as a valuation allowance against shareholders' equity rather than as a charge to income for each such year. During fiscal 1991, after consideration of the issues raised by the staff of the Commission and a re-examination of the facts surrounding the decline in the value of its NeoRx investment, the Company restated its consolidated financial statements (i) to record in fiscal 1990, 1989 and 1988 the write-down as a charge to income (included in other income, net), representing the quarterly decline, as applicable, in the value of the NeoRx investment as measured by its reported market value and (ii) to reverse the $7.3 million write-down reported in the first quarter of fiscal 1991.

The net loss applicable to common shares and the net loss per common share, as previously reported and as restated, are as follows (in thousands, except per share amounts):

	Year Ended November 30, 1990	Six Months Ended May 31, 1991
Net loss applicable to common shares -		
Previously reported	$ (27,473)	$ (30,760)
Adjustments related to write - down of NeoRx investment	(1,657)	7,283
As adjusted	$ (29,130)	$ (23,477)
Net loss per common share -		
Previously reported	$ (1.93)	$ (2.12)
Adjustments related to write - down of NeoRx investment	(0.11)	.50
As adjusted	$ (2.04)	$ (1.62)

The consolidated balance sheet as of May 31, 1992 and the consolidated statements of operations for the three and six months ended May 31, 1992 and May 31, 1991 and the consolidated statements of cash flows for the six months ended May 31, 1992 and May 31, 1991 are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of these financial statements have been included. Such adjustments consisted only of normal recurring items. Interim results are not necessarily indicative of results for a full year. The consolidated financial statement should be read in conjunction with the Company's audited consolidated financial statements and related footnotes for the year ended November, 30, 1991.

2. Transaction with American Home Products

On September 19, 1991, the Company and American Home Products Corporation ("AHP") entered into an Agreement and Plan of Merger that was consummated on January 16, 1992 (the "Transaction"). Genetics Institute shareholders of record on January 16, 1992 received, for each share of Common Stock that they owned, $20.00 in cash or approximately $292.0 million in total from AHP and six-tenths of a newly-issued Depositary Share from the Company that is subject to a call option. Accordingly, in the Transaction, AHP acquired 40% of the Company's outstanding Common Stock for approximately $292.0 million. Subsequently, upon the exercise of outstanding warrants or the conversion of outstanding convertible exchangeable preferred stock, AHP will purchase for approximately $75.0 million an amount of shares (the "Conversion Shares") of Common Stock that would have been issued upon the exercise of outstanding warrants or the conversion of convertible exchangeable preferred stock but for the Transaction.

In connection with the Transaction, the Company issued 9,466,709 new shares (the "Additional Shares") of Common Stock to AHP for an aggregate purchase price of $300.0 million. As a result of the Transaction, the purchase of Additional Shares and the purchase of Conversion Shares, AHP will have acquired approximately 60% of the outstanding equity of the Company for aggregate consideration of approximately $666.0 million.

Under the terms of the call option, AHP has the right, but not the obligation, to purchase the outstanding Depositary Shares that it does not own, in whole but not in part, at any time until December 31, 1996, at per share call prices beginning at $50.00 per share for the period January 16, 1992 to March 31, 1992 and increasing by approximately $1.84 on a quarterly basis to $85.00 per share for the quarter ending December 31, 1996.

Independent of its right to call the Depositary Shares, AHP is permitted by the terms of its agreements with the Company to acquire additional Depositary Shares through open market purchases or privately negotiated purchases, provided that its aggregate holdings do not exceed 75 percent of the Company's outstanding equity subject to certain exceptions. As of May 31, 1992, AHP had purchased 869,500 additional Depositary Shares through such open market purchases bringing its total ownership position in Genetics Institute to approximately 67%.

The Company incurred a one-time charge of $30.0 million in transaction-related expenses during the quarter ended February 29, 1992.

The Company also recorded revenue of $2.0 million during the quarter ended February 29, 1992 representing an option fee resulting from an agreement with Wyeth-Ayerst Laboratories, the pharmaceutical division of AHP, relating to potential collaborations for the discovery and development of new small molecule-based drugs.

3. Supplemental Cash Flow Information

Interest paid was $28,000 and $51,000 for the six months ended May 31, 1992 and May 31, 1991, respectively.

4. Inventories

Inventories consisted of the following at May 31, 1992 and November 30, 1991, respectively (in thousands):

	May 31, 1992	November 30, 1991
Raw materials	$ 2,428	$ 2,161
Work in process	197	6,068
Finished goods	16,246	10,824
	$18,871	$19,053

Inventories at May 31, 1992 and November 30, 1991 include approximately $16.2 million and $16.5 million, respectively, of recombinant antihemophilic factor ("AHF"), a product for which product license applications have been filed with the U.S. Food and Drug Administration ("FDA") and certain foreign regulatory agencies. In December 1991 the Blood Products Advisory Committee of the FDA recommended that Recombinate ™ brand AHF, which was developed jointly by Genetics Institute and Baxter International Inc. ("Baxter"), be approved for sale to previously treated hemophilic patients. The Committee also recommended approval of a recombinant AHF product developed by a competitor, Miles, Inc. ("Miles"), under license from Genentech Inc. for both previously treated and untreated patients. The realization and classification of AHF inventories is dependent upon the occurrence and the timing of future events, including the receipt, if any, of regulatory approvals, commercial sales, if any, and the outcome of litigation relating to AHF described in Note 6.

5. Fiscal 1991 First Quarter Charge

During March 1991, in a patent infringement proceeding involving Amgen, Inc. ("Amgen"), the U.S. Court of Appeals for the Federal Circuit (the "CAFC") reversed a December 1989 decision by the U.S. District Court of Massachusetts and held that the Company's patent claims for erythropoietin ("EPO") were invalid and Amgen's patent was held to be valid and infringed. As a result, the Company recorded an $11.0 million charge in the first quarter of fiscal 1991 that is intended to cover costs of EPO inventories that are no longer recoverable as a result of the patent decision, as well as estimated costs associated with the ultimate resolution of potential damages that may be payable to the competitor and/or its licensee. During October 1991 the U.S. Supreme Court denied the Company's petition to overturn the lower court rulings.

During August 1991 the U.S. District Court for the District of Massachusetts granted to Amgen an attachment in the amount of $25.0 million against certain real estate owned by the Company to secure potential future damages which will be determined in subsequent legal proceedings before this same court that are expected to commence in fiscal 1992.

6. Contingencies

As part of the Company's supply agreement for EPO (the "Supply Agreement") with Boehringer Mannheim GmbH, the Company's licensee in Europe ("Boehringer"), Boehringer agreed to indemnify the Company against damages exceeding one-third of the Company's manufacturing revenues (approximately $34.0 million) arising from the Company's manufacture of EPO for Boehringer under the Supply Agreement. Boehringer has informed the Company that, while it will honor its indemnity agreement with the Company, Boehringer disputes the scope and extent of its indemnification obligations and may elect to seek arbitration before making any indemnity payment to the Company under the Supply Agreement. If this matter is arbitrated and it is found that Boehringer's indemnity does not extend to all damages that may be awarded against the Company in excess of one-third of its manufacturing revenue, the Company's damages could substantially exceed the $11.0 million charge to earnings and, therefore, have a material adverse effect upon the Company's results of operations and financial condition. However, while no assurance can be given, the Company believes, based on the advice of outside counsel, that Boehringer's indemnity obligation is enforceable by the Company. Accordingly, the Company also believes that the likely amount of any unindemnified damages would not significantly exceed the charges taken to earnings in the first quarter of fiscal 1991 and, therefore, would not have such material adverse effect upon the Company.

During fiscal 1991, Ortho Pharmaceutical Corporation ("Ortho") and certain Ortho affiliates filed lawsuits against Boehringer for patent infringement in Germany and Switzerland, based on a European patent previously issued to Kirin-Amgen, Inc. ("Kirin-Amgen"), Ortho's licensor. Boehringer and others have filed formal oppositions against this European patent and the European Patent Office has commenced a review of the patent in light of the oppositions. Also during fiscal 1991, Boehringer filed a lawsuit against Ortho for patent infringement in Germany, based on a European patent previously issued to the Company. During fiscal 1992, Ortho and certain Ortho affiliates filed a lawsuit against Boehringer for patent infringement in Italy, and Boehringer and the Company filed additional lawsuits against Ortho and certain Ortho affiliates in Germany and Switzerland. In May 1992, a German court ruled that Boehringer's manufacture and sale of EPO infringes a patent issued to Kirin-Amgen in Europe and, upon execution of judgement, Boehringer should cease and desist from the manufacture and sale of EPO in Germany. This order is not effective until Ortho requests that the order be executed and posts financial security in the amount of 15.0 million deutschmarks. Ortho has indicated that it will not file a request for execution before November 1992. Boehringer filed a request for stay of execution in a separate action which is currently pending before the German court. In May 1992, the German court also ruled that Ortho's sale and distribution of EPO in Germany infringes the Company's first EPO patent, but stayed its ruling pending the outcome of the oppositions filed to the validity of the Company's first EPO patent before the European Patent Office.

In fiscal 1987, Baxter and Travenol Laboratories, Inc. ("Travenol") were named as defendants in a civil action in the U.S. District Court for the District of Delaware (the "Delaware Action") by Scripps Clinic and Research Foundation ("Scripps") and Rorer Group, Inc. ("Rorer"). The Delaware Action arises from the plaintiffs' contention that Baxter, which is the Company's licensee for AHF, and Travenol have infringed a patent issued to Scripps and licensed to Rorer concerning purified AHF. The plaintiffs are seeking injunctive relief, unspecified monetary damages and other relief. In fiscal 1989, the U.S. District for the Northern District of California, in a proceeding commenced by Rorer against Genentech and others (the "California Action"), invalidated and held unenforceable all claims of the Scripps patent that would cover the Company's AHF product. Rorer appealed the decision of the California court to the CAFC. In early fiscal 1991, the CAFC reversed the California court in part and remanded certain of the issues relating to the validity and enforceability of the Scripps patent to the California court for trial. In May 1992, the court in the Delaware Action ruled that separate trials will be held on the issues of infringement liability and damages and set the first trial date for September 1992. While certain of the issues addressed by the CAFC in the California Action are similar to those to be addressed in the Delaware Action, the Company believes that Baxter and Travenol will have additional defenses available to them in the Delaware Action. However, no assurances can be given as to the outcome of the Delaware Action. An unfavorable outcome could have a material adverse effect on the Company's consolidated results of operations.

The Company and its licensees are also engaged in the following patent proceedings: (i) a patent interference declared by the United States Patent and Trademark Office in May 1990 among the GM-CSF patent applications of the Company assigned to Sandoz, Ltd., Immunex Corporation and others; and (ii) a patent interference proceeding, to which Chiron Corporation became a party in September 1991, declared between the Company and Genentech, Inc. concerning the AHF patents which are cross-licensed between Baxter and Genentech, Inc. Any disposition of these proceedings in a manner unfavorable to the Company or its licensees could adversely affect the Company's future consolidated results of operations. There are various other legal proceedings against the Company which are not expected to have a material adverse effect on the Company.

Finally, the alleged class action complaints that were filed with respect to the Company's Transaction with AHP in the first quarter of fiscal 1992 were voluntarily dismissed with prejudice by the plaintiffs. A final confirmation of the dismissal is currently pending before the U.S. District Court for the District of Massachusetts.

7. Significant Affiliate

The Company and The Wellcome Foundation Limited and Burroughs Wellcome Co. ("Wellcome") formed a joint venture, ("WelGen"), for the large-scale manufacture of biotechnology-based human pharmaceuticals.

The joint venture facility was designed to accommodate up to five individual manufacturing suites. An initial manufacturing suite dedicated to the production of Wellcome products ("the Wellcome Suite") commenced operation during fiscal 1991. As a result, and in accordance with profit and loss provisions of the WelGen Manufacturing Partnership Agreement ("the Partnership Agreement"), Wellcome began bearing substantially all of the operating costs of WelGen effective August 1, 1991, and will continue to do so as long as the Wellcome Suite is the only manufacturing suite in existence in WelGen and it is manufacturing products on behalf of Wellcome. At May 31, 1992 and May 31, 1991, the Company had contributed $28.0 million and $27.4 million, respectively, of capital to WelGen to fund a portion of the general construction and start-up cost of the joint venture. Wellcome funded 100% of the fit-up cost of the Wellcome suite. The Company expects that significant amounts of additional capital will be required to equip the remaining suites of the facility if and as they are needed. Equity ownership positions of each partner in WelGen generally correspond to their relative capital contributions. At May 31, 1992 and May 31, 1991, the Company had an approximate 25%

and 30% equity interest, respectively, in WelGen. The Company has recognized aggregate equity in the undistributed losses of WelGen totaling $2.0 million through May 31, 1992 in accordance with profit and loss sharing provisions of the Partnership Agreement. Summarized financial information for WelGen as of May 31, 1992 is as follows (in thousands):

Statement of Operations:

Revenue	$ 4,511
Operating expenses	4,151
Net income	360

Balance Sheet:

Current assets	$ 21,328
Total assets	106,116
Current liabilities	1,504
Partners' equity	104,612

Wellcome and the Company are presently discussing the possible acquisition by Wellcome of the Company's entire partnership interest in WelGen. While it is possible that the sale of its WelGen interest could result in a loss to the Company, the amount of such loss is not presently estimable.

8. Warrants

In May 1991 SciGenics, Inc. and the Company completed an initial public offering of 2,090,909 units, each unit consisting of one share of callable common stock of SciGenics, Inc., and one warrant to purchase one share of the Company's Common Stock at an exercise price of $35.92 per share, exercisable at any time from December 1, 1992 through May 31, 1996. SciGenics received net proceeds of $42.0 million from the unit offering. These funds will be used to engage the Company to conduct research and development on macrophage colony stimulating factor ("M-CSF") for North America and embryonic growth and regulatory proteins ("EGRP's") worldwide in accordance with a development contract. The Company has the option to reacquire the rights for either program or to acquire all of the shares of SciGenics callable common stock, in each case, for predetermined amounts during specified future periods. The Company has committed, commencing December 1, 1991, to match SciGenics funds expended toward development and clinical trials conducted in the M-CSF program up to a maximum of $20.0 million. The Company may terminate this commitment, in which event, the program purchase option with respect to the M-CSF program and the stock purchase option will terminate. The value of the warrants ($8.3 million), representing an incentive to enter into the development contract, is included in Other Assets and is being amortized as a charge to operating expenses ($0.7 million and $1.1 million respectively for the three and six months ending May 31, 1992 and $3.8 million in the aggregate) on the basis of the ratio of revenues received by the Company from SciGenics each period to projected total revenues to be received.

In September 1991 the units separated into their two components and the warrants became immediately exercisable. As noted above, the units were to have separated and the warrants were to have become exercisable on December 1, 1992. However, the separation date was advanced due to the Company's announcement of its execution of the merger agreement with AHP as summarized in Note 2. The expiration date of the warrants is unaffected by the Transaction and remains May 31, 1996. From and after January 16, 1992, the closing of the Transaction, the warrants are exerciseable for the same consideration received by holders of the Company's Common Stock in the Transaction as discussed in Note 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Genetics Institute, Inc. is engaged in discovering, developing and commercializing therapeutic products using recombinant DNA and related technologies. The Company's first products which treat anemia, hemophilia and low white blood cell counts, are or will be marketed through collaborations with pharmaceutical marketing partners. The Company expects to receive royalties on the sales of these products and manufacturing revenue from the anti-hemophilia product. The Company is currently developing a portfolio of proprietary products for the treatment of cancer, infectious disease, heart disease, bone growth and repair and platelet deficiencies induced by cancer therapy, which it plans to market itself in the U.S. The Company's ongoing discovery research programs are focused in several areas including blood cell regulation, tissue growth and repair, control of inflammation and modulation of immune response.

The Company's consolidated results of operations have fluctuated from period to period and may continue to fluctuate in the near-term as a result of changes in the timing and composition of funding under its collaborative research and development agreements, royalty income, interest income, the timing of production and shipment of bulk protein products and the amount of expenditures committed to self-funded research and development programs.

Significant volatility has been associated with the business and operations of biopharmaceutical companies. Announcements by the Company or its competitors concerning technological innovations, new commercial products, results of clinical trials, developments concerning patents or proprietary rights, results of litigation, the expense and time associated with obtaining requisite government approvals, and public concern as to the safety of biopharmaceuticals may have a significant impact on the Company's business.

The Company and American Home Products Corporation ("AHP") entered into a transaction (the "Transaction") through which AHP has acquired a majority interest in the Company effective January 16, 1992 (see Note 2 of Notes to Consolidated Financial Statements). The Company has incurred a one-time charge of $30.0 million in transaction-related expenses during the first quarter of fiscal 1992 in relation to consummation of the Transaction.

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes". The Company intends to adopt the new standard before November 30, 1994 but has not yet determined the timing or method to be used in adoption. The Company does not expect the new standard to have a significant impact on future consolidated results of operations.

Results of Operations

Restatement. During fiscal 1991, the Company restated its historical consolidated financial statements to reflect in fiscal 1990, 1989 and 1988 the write-down of its equity investment in NeoRx Corporation previously reported in the first quarter of fiscal 1991. As a result of this restatement, the Company's net loss applicable to common shares for fiscal 1990, 1989 and 1988 is $31.9 million, $31.8 million and $15.0 million, respectively, rather than $27.5 million, $29.6 million and $11.2 million, as previously reported. The Company's restated net loss applicable to common shares for the first quarter of fiscal 1991 is $17.4 million, rather than $24.7 million as previously reported. The amounts of the write-down reported in the Company's restated consolidated statements of operations for fiscal 1990, 1989 and 1988 are based on the declines in the market value of NeoRx common stock during such periods. The restatement does not affect the Company's previously reported revenues or losses from operations in any period.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Three and Six Months Ended May 31, 1992 and May 31, 1991. The Company's revenues were primarily derived from payments for research and development activities, including the supply of bulk product, under its agreements with various corporate sponsors and from royalties resulting from the sale of EPO by marketing partners in Japan and Europe. Revenues increased 11%, or $1.5 million, from the second quarter of fiscal 1991 to the second quarter of fiscal 1992 and 29% or $7.6 million from the first six months of fiscal 1991 to the first six months of fiscal 1992. The second quarter and first half increases reflect increasing royalties earned on sales of EPO by marketing partners in Japan and Europe. In addition, the first half increase reflects higher payments from SciGenics, Inc. for research and development activities principally relating to macrophage colony stimulating factor ("M-CSF"), and payment under an option agreement with Wyeth-Ayerst Laboratories, the pharmaceutical division of AHP, relating to potential collaborations for the discovery and development of new small molecule-based drugs.

Operating expenses, consisting primarily of research and development costs, increased 22% or $4.5 million from the second quarter of fiscal 1991 to the second quarter of fiscal 1992 and increased 23% or $8.9 million from the first six months of fiscal 1991 to the first six months of fiscal 1992, exclusive of one-time charges of $30.0 million for AHP Transaction-related costs in the first quarter of fiscal 1992 and $11.0 million for potential patent-related damages in the first quarter of fiscal 1991. The three and six month increases primarily result from higher staffing levels in the research and development areas of the Company and higher pre-clinical and clinical expenses. In the first six months of fiscal 1992, approximately 52% ($24.0 million) of the Company's total operating expenses, exclusive of the one-time charge of $30.0 million and amortization of warrants of $1.1 million, were attributable to self-funded research and development programs compared with 63% ($23.8 million) in the first six months of fiscal 1991.

Other income, net increased 312%, or $2.9 million from the second quarter of fiscal 1991 to the second quarter of fiscal 1992 and 214% or $4.0 million from the first six months of fiscal 1991 to the first six months of fiscal 1992. This increase reflects higher interest income resulting primarily from the proceeds received in January 1992 from the issuance of Common Stock to AHP in the Transaction.

Legal Proceedings

The Company is engaged in a number of legal proceedings. See Notes 5 and 6 of the Notes to Consolidated Financial Statements which are incorporated by reference herein.

Liquidity and Capital Resources

The Company's net working capital at May 31, 1992 was $341.7 million (including approximately $9.0 million in marketable securities which has been pledged as collateral pursuant to certain capital and operating lease considerations) compared with $88.1 million at November 30, 1991. This increase in working capital was primarily due to the consummation of the Transaction with AHP.

After giving effect to the Transaction with AHP, the Company expects that its available cash, together with interest income, funding under development agreements, royalty income and lease and debt financing arrangements will be sufficient to finance its minimum working capital and capital requirements for the foreseeable future. Over the next several years, the Company's working capital and capital requirements will be subject to change depending upon numerous factors including: changes in the amount of expenditures committed to self-funded research and development programs; results of research and development activities; competitive and technological developments; the levels of resources which the Company devotes to the expansion of its clinical testing capabilities and establishment of marketing capabilities; the timing and cost of obtaining required regulatory approvals for new products; changes in the Company's relationships with marketing partners; the outcome of future legal proceedings relating to damages required to be paid by the Company as a result of the CAFC decision and the timing and amount of indemnity payments by Boehringer to the Company. See "Legal Proceedings" above.

Part II - Other Information

Item 1. **Legal Proceedings**

See Notes 5 and 6 to the Consolidated Financial Statements provided in Part I of this Quarterly Report on Form 10-Q, which Notes are hereby incorporated by reference.

Item 6. **Exhibits and Reports on Form 8-K**

(a) No exhibits are filed herewith.

(b) No reports on Form 8-K were filed by the registrant during the second fiscal quarter ended May 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GENETICS INSTITUTE, INC.
(Registrant)

Date: July 10, 1992

Gabriel Schmergel

Gabriel Schmergel, President and
Chief Executive Officer
(Principal Executive Officer)

Date: July 10, 1992

Garen G. Bohlin,
Executive Vice President,
(Principal Financial Officer and
Principal Accounting Officer)

Part II - Other Information

Item 1. Legal Proceedings

See Notes 5 and 6 to the Consolidated Financial Statements provided in Part I of this Quarterly Report on Form 10-Q, which Notes are hereby incorporated by reference.

Item 6. Exhibits and Reports on Form 8-K

(a) No exhibits are filed herewith.

(b) No reports on Form 8-K were filed by the registrant during the second fiscal quarter ended May 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GENETICS INSTITUTE, INC.
(Registrant)

Date: July 10, 1992

/s/ Gabriel Schmergel
Gabriel Schmergel, President and
Chief Executive Officer
(Principal Executive Officer)

Date: July 10, 1992

/s/ Garen G. Bohlin
Garen G. Bohlin,
Executive Vice President,
(Principal Financial Officer and
Principal Accounting Officer)

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FORM 10-Q

[X]QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 30, 1992

or

[ ]TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from ____________ to __________

HALLWOOD HOLDINGS INCORPORATED

(Exact name of registrant as specified in its charter)

Commission File Number 33-39954

DELAWARE (State of Incorporation)	25-1655321 (I.R.S. Employer Identification No.)
630 ALPHA DRIVE, PITTSBURGH, PA (Address of principal executive offices)	15238 (Zip Code)

Registrant's telephone number, including area code: 412-782-4430

Securities registered pursuant to Section 12(b) of the Act:

NONE
(Title of Class)

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, Par value $0.01
(Title of Class)

Warrants to Purchase Common Stock, Par value $0
(Title of Class)

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.
Yes _X_ No __

As of June 30, 1992, the number of shares of the Registrant's Common Stock, $0.01 par value per share, issued and outstanding was 2,582,685 of which approximately 107,959 shares were reserved for distribution to holders of disputed claims pursuant to the Registrant's 1989 Plan of Reorganization, when such claims are ultimately resolved. Included in the issued and outstanding shares are 3,635 shares of common stock which were held for distribution in exchange for 161,153 shares of old common stock (stock outstanding prior to the consummation of the Registrant's 1989 Plan of Reorganization) which had not yet been exchanged by their holders for new Common Stock pursuant to such Plan.

DOCUMENTS INCORPORATED BY REFERENCE

None

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Hallwood Holdings Incorporated and Subsidiaries:

Consolidated balance sheets as of May 30, 1992 (unaudited) and February 29, 1992 4

Consolidated statements of operations for the thirteen weeks ended May 30, 1992 and June 1, 1991 (unaudited) 5

Consolidated statement of shareholders' equity for the thirteen weeks ended May 30, 1992 (unaudited) 6

Consolidated statements of cash flows for the thirteen weeks ended May 30, 1992 and June 1, 1991 (unaudited) 7

Notes to consolidated financial statements (unaudited) 8

HALLWOOD HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollar amounts in thousands)

ASSETS	May 30, 1992 (Unaudited)	February 29, 1992
Current assets:		
Cash and cash equivalents	$ 1,654	$ 2,208
Trade accounts receivable, less allowance of $309	4,965	4,447
Accounts receivable, other	98	98
Inventories	6,970	5,612
Other	53	119
Total current assets	13,740	12,484
Property and equipment, at cost	1,691	1,650
Less accumulated depreciation and amortization	(368)	(331)
	1,323	1,319
Other assets	730	705
	$ 15,793	$ 14,508

LIABILITIES AND STOCKHOLDERS' EQUITY

	May 30, 1992 (Unaudited)	February 29, 1992
Current liabilities:		
Accounts payable	$ 7,070	$ 5,894
Accrued compensation	347	511
Current maturities of long-term obligations	65	64
Net obligation of discontinued business segment-current portion	165	164
Other	322	353
Total current liabilities	7,969	6,986
Other long-term obligations:		
Net obligation of discontinued business segment, long-term portion	1,904	1,904
Long-term debt and capital lease obligations	183	200
Minority interest in Hallwood Industries Incorporated	593	556
	2,680	2,660
Stockholders' equity:		
Preferred stock, par value $0.01 per share; authorized 5,000,000 shares, none issued	-	-
Common stock, par value $0.01 per share; authorized 5,000,000 shares; issued 2,582,685 and 2,582,597 shares	26	26
Additional paid-in capital	38,655	38,559
Deficit (Reorganized on August 26, 1989)	(33,536)	(33,722)
Treasury stock, at cost, 207 shares	(1)	(1)
Total stockholders' equity	5,144	4,862
	$ 15,793	$ 14,508

The accompanying notes are an integral part of these consolidated financial statements.

HALLWOOD HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollar amounts in thousands, except per share data)
(Unaudited)

	Thirteen Weeks Ended	
	May 30, 1992	June 1, 1991
Sales	$ 9,111	$ 9,070
Other income	1	3
	9,112	9,073
Cost of goods sold, including occupancy and buying expenses	7,433	7,251
Operating, selling and administrative expenses	1,331	1,491
Interest (income) expense	(8)	(24)
Minority interest in income of subsidiary	24	–
	8,780	8,718
Income before income taxes	332	355
Income taxes	146	142
Net income	$ 186	$ 213
Per share amounts:		
Net income	$ 0.07	$ 0.08
Weighted average number of shares outstanding used in computing per share amounts	2,785,270	2,789,610

The accompanying notes are an integral part of these consolidated financial statements.

HALLWOOD HOLDINGS INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

THIRTEEN WEEKS ENDED MAY 30, 1992

(Unaudited)

(Dollars in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock	
	shares	par value			shares	cost
Balances, February 29, 1992	2,582,597	$26	$38,559	($33,722)	207	($1)
Net income for the period				186		
Addition to paid-in capital resulting from utilization of tax loss carryforward			108			
Warrants exercised	88	-				
Minority interest in Hallwood Industries Incorporated			(12)			
Balances, May 30, 1992	2,582,685	$26	$38,655	($33,536)	207	($1)

The accompanying notes are an integral part of these consolidated financial statements

HALLWOOD HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollar amounts in thousands)
(Unaudited)

	Thirteen Weeks Ended	
	May 30, 1992	June 1, 1991
Cash flows from operating activities:		
Income from continuing operations	$ 186	$ 213
Adjustments to reconcile income from continuing operations to net cash (used in) provided by operating activities:		
Depreciation	37	38
Addition to paid-in capital resulting from utilization of tax loss carryforwards	108	85
Minority interest in post-merger income	24	–
Other changes in operating assets and liabilities:		
Accounts receivable	(518)	(905)
Inventories	(1,358)	291
Accounts payable	1,177	861
Other	(129)	(72)
Net cash (used in) provided by operating activities of:		
Continuing operations	(473)	511
Discontinued operations	1	(135)
Net cash (used in) provided by operating activities	(472)	376
Cash flows from investing activities:		
Additions to property and equipment	(41)	(12)
Deferred financing costs	(25)	–
Other	–	28
Net cash (used in) provided by investing activities	(66)	16
Cash flows from financing activities:		
Principal payments on long-term debt	(16)	(19)
Net cash used in financing activities	(16)	(19)
Net (decrease) increase in cash and cash equivalents	(554)	373
Cash and cash equivalents at beginning of period	2,208	2,021
Cash and cash equivalents at end of period	$ 1,654	$ 2,394

The accompanying notes are an integral part of these consolidated financial statements.

HALLWOOD HOLDINGS INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Summary of Significant Accounting Policies

Hallwood Holdings Incorporated ("Holdings") was formed as a result of a merger on July 5, 1991 with Hallwood Industries Incorporated ("Industries"). The merger resulted in a restructuring of Industries such that it became a majority owned subsidiary of Holdings. In accordance with the Merger Agreement, Holdings holds 10% of the outstanding common stock of Industries and now holds sufficient shares of Industries' Series A Preferred Stock such that the aggregate fair market value of Industries' common stock and Series A Preferred Stock owned by Holdings is approximately 90% of the aggregate fair market value of the issued and outstanding common and voting preferred stock of Industries. The Series A Preferred Stock of Industries issued to Holdings had not been completed as of May 30, 1992. However, because of the approval of the Merger Agreement by the stockholders of Industries on July 5, 1991, Holdings effectively controls 90% of the voting stock of Industries. The accompanying financial statements reflect this control and include the accounts of Industries.

This transaction has been accounted for as a corporate reorganization of entities under common control. This method of accounting is similar to a pooling of interests in which the assets, liabilities and stockholders' equity of both companies are combined and are reflected in the consolidated financial statements based upon their historical cost. The consolidated financial statements reflect the existence of the minority interest at the date of the Merger as a reduction to additional paid-in capital. The minority interest (representing 10% of Industries post-merger equity) relates to the 90% of Industries' common stock held by stockholders other than Holdings.

The consolidated financial statements consist principally of the activities of Industries. At May 30, 1992, there had not been separate activities of Holdings other than the incurrence of various professional fees and associated administrative costs related to a proposed financing transaction. As a result, separate presentation herein of Industries' financial statements on a stand-alone basis is not considered appropriate at this time.

As discussed above, the consolidated financial statements include the accounts of Industries (formerly Heck's, Inc.) and its subsidiaries. All subsidiaries of Industries are wholly owned except Maloney Enterprises, Inc. ("Maloney") which has redeemable preferred stock outstanding which is to be settled within the context of the Maloney bankruptcy proceedings. All significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. All adjustments made are of a normal recurring nature.

While the Company believes that the disclosures presented are adequate to make the information not misleading, it is suggested that these unaudited consolidated financial statements be read in conjunction with the consolidated financial statements for the fiscal year ended February 29, 1992, as filed in the Annual Report on Form 10-K.

2. Corporate Reorganization

On July 5, 1991, the stockholders of Industries approved the merger of Industries with a newly-formed Delaware corporation which was a subsidiary of Hallwood Holdings Incorporated. In accordance with the Merger Agreement, the par value of Industries' common stock and preferred stock was reduced from $1.00 per share to $0.01 per share and the authorized number of shares of common stock was reduced from 25,000,000 to 5,000,000. Also, nine-tenths (9/10) of the shares of Industries' common stock was canceled in exchange for the issuance of a number of shares of Holdings' $0.01 par value common stock, equal to ten-ninths (10/9) times the number of shares of Industries' common stock canceled, and one-tenth (1/10) of Industries' common stock was retained by each stockholder. In order to avoid the inconvenience of having fractional shares outstanding, Industries issued a stock dividend of that number of shares of its common stock equal to nine times the number of shares owned by each stockholder upon the effectiveness of the Merger. Further, Industries issued to Holdings that number of shares of its common stock which constituted 10% of the total outstanding common stock of Industries. In June 1992, Industries' Board of Directors approved the issuance to Holdings of 2,295,642 shares of Industries' Series A Preferred Stock such that the aggregate fair market value of Industries' common stock and Series A Preferred Stock now owned by Holdings totals approximately 90% of the aggregate fair market value of all the issued and outstanding common and voting preferred stock of Industries.

Under the Merger Agreement, Industries is required to issue to Holdings, for a period of five years following the Merger, such additional number of shares of Series A Preferred Stock and/or common stock as shall be necessary, in accordance with periodic determinations to be made by an investment banking firm or other financial advisor designated by the Board of Directors, to make the aggregate fair market value of Industries' common stock owned by Holdings, together with the Series A Preferred Stock owned by Holdings, equal to approximately 90% of the fair market value of all the issued and outstanding common and voting preferred stock of Industries.

Since the Series A Preferred Stock was not issued to Holdings prior to May 30, 1992, the issuance of the voting preferred stock is reflected on a pro forma basis only.

The following tables present the unaudited pro forma consolidated condensed statement of operations for the thirteen weeks ended May 30, 1992 and fiscal year ended February 29, 1992, reflecting the effects of the issuance of the Series A Preferred Stock by Industries to Holdings, assuming that the Series A Preferred Stock was issued at the beginning of the fiscal year ended February 29, 1992.

The pro forma tables do not purport to represent what Holdings' or Industries' results of operations would actually have been if the Series A Preferred Stock issuance in fact had occurred at the beginning of the period indicated or to project Holdings or Industries' results of operations for any future date or period.

The pro forma adjustments are based upon currently available information including the number and face amount of shares subsequently issued and related dividend terms which were determined (pursuant to an independent appraisal) by the Executive Committee of the Board of Directors.

PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS FOR THE THIRTEEN WEEKS ENDED MAY 30, 1992

(Dollars in thousands except share and per share data)

(Unaudited)

	Historical	Adjustments	Pro Forma
Hallwood Holdings Incorporated and Subsidiaries			
Gross profit (including other income)	$ 1,679	$	$ 1,679
Operating, selling and administrative costs	1,331		1,331
Interest (income)	(8)		(8)
Minority interest in net income of subsidiary	24	(24)(b)	–
Income from continuing operations before income taxes	332	24	356
Income taxes	146	18 (c)	164
Income from continuing operations	$ 186	$ 6	$ 192
Income per share from continuing operations	$ 0.06		$ 0.07
Weighted average number of common shares outstanding	2,785,270		2,785,270

	Historical	Adjustments	Pro Forma
Hallwood Industries Incorporated and Subsidiaries			
Gross profit (including other income)	$ 1,680	$	$ 1,680
Operating, selling and administrative costs	1,280		1,280
Interest (income)	(8)		(8)
Income from continuing operations before income taxes	408		408
Income taxes	164		164
Income from continuing operations	244		244
Less preferred stock dividends	–	(244)(d)	(244)
Income from continuing operations available to common stockholders	$ 244	$ (244)	$ –
Income per common share from continuing operations	$ 0.08		$ –
Weighted average number of common shares outstanding	3,126,722		3,126,722

PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS FOR THE FISCAL YEAR ENDED FEBRUARY 29, 1992

(Dollars in thousands except share and per share data)
(Unaudited)

	Historical	Adjustments	Pro Forma
Hallwood Holdings Incorporated and Subsidiaries			
Gross profit (including other income)	$ 5,683	$	$ 5,683
Operating, selling and administrative costs	5,435	(350)(a)	5,085
Provision for doubtful accounts	150		150
Interest (income)	(112)		(112)
Minority interest in net income of subsidiary	11	(11)(b)	–
Income from continuing operations before income taxes	199	361	560
Income taxes	100	119 (c)	219
Income from continuing operations	$ 99	$ 242	$ 341
Income per share from continuing operations	$ 0.03		$ 0.12
Weighted average number of common shares outstanding	2,812,419		2,812,419

	Historical	Adjustments	Pro Forma
Hallwood Industries Incorporated and Subsidiaries			
Gross profit (including other income)	$ 5,683	$	$ 5,683
Operating, selling and administrative costs	5,294	(350)(a)	4,944
Provision for doubtful accounts	150		150
Interest (income)	(112)		(112)
Income from continuing operations before income taxes	351	350	701
Income taxes	148	119	267
Income from continuing operations	203	231	434
Less preferred stock dividends	–	(434)(d)	(434)
Income from continuing operations available to common stockholders	$ 203	$ (203)	$ –
Income per common share from continuing operations	$ 0.07		$ –
Weighted average number of common shares outstanding	3,025,276		3,025,276

(a) Represents costs incurred in connection with the plan of Merger. Approximately $350,000 has been reflected in the statement of operations for the year ended February 29, 1992 and has been eliminated from the pro forma consolidated condensed statement of operations for the period since these costs are a non-recurring expense.

(b) Represents adjustment to reverse the recorded minority interest in Industries since 100% of Industries earnings (up to the amount of the preferred stock dividend) is passed through to Holdings.

(c) Represents the income tax effect of the pro forma adjustment made to certain costs.

(d) Represents preferred stock dividends to be issued to Holdings on an annual, cumulative basis. Such dividends have been calculated assuming the issuance of $12,002,000 of Series A Preferred Stock with a dividend rate of 10%, limited to the extent of Industries' net income for the fiscal year.

3. RAC Bankruptcy

As reported in Holdings' Annual Report on Form 10-K for the fiscal year ended February 29, 1992, the Retail Acquisition Corporation Plan of Reorganization ("RAC Plan") was confirmed by the bankruptcy court on May 29, 1992.

The RAC Plan provides for Industries to be relieved of any further obligations relating to Industries' former retail division, which was sold to RAC in September 1990, except for payment on notes issued by Industries ("Industries Notes") to certain contingent creditors of Industries.

The Industries' Notes, which are non-interest bearing, are payable in six equal annual installments beginning one year after the effective date of the RAC Plan. The Industries' Notes contain a prepayment provision based on performance criteria whereby if defined cash flow exceeds $900,000, $1,000,000 and $1,100,000 in fiscal 1995, 1996 and 1997, respectively, holders of Industries' Notes may tender a portion of the notes in the amount of the excess defined cash flow, but not to exceed approximately $400,000 per annum. For financial accounting purposes, any such prepayments have not been projected. The Industries' Notes have been discounted using an imputed interest rate of 7.5% and are included in the net obligation of the discontinued business segment, together with legal fees related to the RAC matter and certain funds held in escrow for payment of professional fee administrative expenses related to the bankruptcy proceeding from which Industries' predecessor emerged in 1989.

4. Contingencies

Industries was named as a defendant in several lawsuits arising from the Heck's and RAC bankruptcies. All such actions have been settled under the terms of the Heck's and RAC Plans. Industries has been notified of a potential sales tax obligation related to the operations of Industries' predecessor and RAC. However, in the opinion of management, any resulted liability is not expected to have a material effect on Industries' financial condition. Management is unaware of any other significant contingencies.

5. Lines of Credit

Industries has a one-year line of credit which expires on July 21, 1992 in the amount of $1 million secured by a mortgage on Industries's real estate, and by a guarantee from The Hallwood Group Incorporated. The line carries an interest rate of 1 7/8% over LIBOR. Industries has entered into negotiations for a replacement line of credit.

6. Deferred Financing Costs

Deferred financing costs of approximately $486,000 are included in other assets and are related to a proposed financing transaction expected to be completed in fiscal 1993. These costs are to be amortized over the expected term of the proposed financing transaction.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is management's analysis of the significant factors that have influenced Holdings' financial position and results of operations during the periods included in the accompanying financial statements.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Management believes that the corporate structure resulting from the merger, whereby Hallwood Industries Incorporated ("Industries") became a subsidiary of Hallwood Holdings Incorporated ("Holdings") will facilitate capital formation by Holdings because it will be insulated from the liabilities of Industries as well as the stigma of bankruptcy proceedings from which Industries' predecessor emerged in 1989. Moreover, the corporate structure will permit Holdings and Industries to file consolidated tax returns so that Holdings may utilize the tax benefits (including approximately $150 million of net operating loss carryforwards) attributable to Industries. Industries is a special, limited purpose subsidiary which will concentrate on its historical line of business, while future growth and expansion opportunities will be pursued by one or more subsidiaries of Holdings yet to be formed. Through Holdings' continuing ownership of Industries, primarily in the form of preferred stock, Holdings will retain the value of Industries, and will receive substantially all of the benefit of operations through dividends on the preferred stock. It is also believed that Holdings' ownership of Industries in this form will facilitate the preservation and utilization of the tax benefits.

Industries' financial condition has been unsettled for the past several years as a result of both the financial difficulties of Industries' predecessor company, Heck's Inc., which culminated in Heck's 1989 Chapter 11 reorganization, and the subsequent sale of its retail division (the "Retail Division") to a purchaser, Retail Acquisition Corp. ("RAC"), that defaulted on its purchase obligations thus requiring Industries to contribute to the settlement of the former Retail Division's debts. With the confirmation of RAC's plan of reorganization, however, management believes that Industries' financial condition has been stabilized and may be expected to improve in the future.

RAC Bankruptcy

The RAC Plan of Reorganization ("the RAC Plan") was confirmed by the bankruptcy court on May 29, 1992. The RAC Plan provides for Industries to be relieved of past and future claims relating to Industries' former Retail Division, except for payment obligations on the notes issued by Industries pursuant to the RAC Plan. Industries has been notified of a potential sales tax obligation related to the operations of Industries' predecessor and RAC. However, in the opinion of management, any resulted liability is not expected to have a material effect on Industries' financial condition.

The Industries' Notes are non-interest bearing and are payable in six equal annual installments beginning one year after the effective date of the RAC Plan. The Industries' Notes contain a prepayment provision based on performance criteria such that if defined cash flow exceeds $900,000, $1,000,000 and $1,100,000 in each of fiscal 1995, 1996 and 1997, respectively, holders of the Industries' Notes may tender a portion thereof in the amount of the excess defined cash flow, but not to exceed approximately $400,000 per annum.

Lines of Credit

In July 1991 Industries obtained a one-year line of credit which expires on July 21, 1992, in the amount of $1 million, secured by a mortgage on the Steel City building and by a guarantee from The Hallwood Group Incorporated. The line carries an interest rate of 1.875% over LIBOR. In June 1992, $250,000 was drawn against this line. Industries has entered into negotiations for a replacement line of credit.

Industries' working capital needs following the sale of the Retail Division have been substantially less than they were prior thereto. However, following RAC's bankruptcy filing in March 1991 and the resulting threat that creditors of the former Retail Division would seek to collect from Industries on their claims, credit extended by vendors to Steel City has in some cases been restricted. Management is optimistic that the confirmation of the RAC Plan in May 1992 will facilitate a return to normal vendor credit and will enable Industries to renew its existing credit line upon its expiration in July 1992, or obtain a replacement line.

Tax Loss Carryforwards

At December 31, 1991, Industries had net operating loss carryforwards (adjusted for debt forgiveness arising upon the consummation of the Heck's 1989 Plan of Reorganization) (the "Tax Benefits") of approximately $150 million, which expire in the years 2001 through 2005. The issuance of common stock to pre-petition creditors under the Heck's Plan of Reorganization resulted in a change of control, as defined in the applicable IRS regulations, exceeding 50%. A further change in control exceeding 50% may lead to the loss of the majority of the net operating loss carryforwards. In order to reduce the likelihood of such a further change of control occurring, Holdings' and Industries' Certificates of Incorporation include restrictions on the registration of transfers of stock resulting in, or increasing, individual holdings exceeding 4.5% of each Company's common stock.

Since the regulations governing the foregoing tax matters are highly complex, and Holdings' and Industries' attempts to reduce the likelihood of a further change of control occurring may not be successful, management is unable to determine the likelihood of the continued availability of the Tax Benefits, but intends to take all appropriate steps to help ensure that they remain available. Should the Tax Benefits become unavailable to Holdings or Industries, future income of Industries and any consolidated affiliate would not be shielded from taxation thus reducing funds available for corporate purposes.

The operations of Steel City, while historically profitable, do not at present enable Industries to take full advantage of its net operating loss carryforwards. Management has been exploring growth and acquisition opportunities, both in the distribution industry and in other fields, in order to increase its profit base. However, there can be no assurance that such opportunities will arise or that future acquisitions, if any, will be profitable.

RESULTS OF OPERATIONS

Continuing operations: Wholesale Division

Continuing operations include the results of Steel City Products ("Steel City"), a distributor of automotive parts and accessories based in Pittsburgh, Pennsylvania, which is currently operated by Harris & Frank, Inc., a wholly owned subsidiary of Industries.

Thirteen weeks ended May 30, 1992 compared with thirteen weeks ended June 1, 1991

Consolidated revenues increased by $41,000 in the first quarter as compared with the first quarter last year. Although sales have remained essentially level with last year, the customer base has fluctuated significantly. Sales to new customers, along with increased sales in new markets exceeded $1.2 million in the current year first quarter. Other general increases have been achieved as a result of improved customer confidence in the current retail climate. However, these sales gains were largely offset by decreases in shipments to other customers, including Steel City's largest customer which has closed a number of stores, along with one other major customer whose account was lost completely. These decreases totalled approximately $1.1 million.

Gross margin and the gross margin percentage for the first quarter of the current year was $1.7 million (18.4%) compared with $1.8 million (20.1%) in the prior year, a decrease of $140,000 or 1.7% percentage points. The margin was affected by several factors, including the change in customer mix described above along with increased competitive pressures resulting from closing down sales by two competitors. Business with certain new customers has been at slightly reduced margins, although there are lower operating and selling costs associated with this business.

Operating, selling and administrative expenses were $1.3 million compared with $1.5 million last year. Expenses for Steel City have remained essentially constant with last year, while corporate expenses have decreased by approximately $210,000 for the quarter compared with first quarter last year. This decrease was principally attributable to a $170,000 non-recurring expense last year related to the formation of Holdings, combined with reduced salaries and other expenses.

Net interest income decreased approximately $16,000 when compared with the prior year principally due to lower rates of interest being earned on lower average invested funds.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

There are no lawsuits pending against Holdings.

On March 20, 1991, Industries, together with two other creditors of RAC, filed an involuntary petition in the United States Bankruptcy Court for the Southern District of West Virginia entitled In Re: Retail Acquisition Corp. ("RAC") seeking to place RAC in Chapter 7 proceedings. On April 9, 1991 RAC consented to the entry of an order for relief in response to the involuntary bankruptcy petition and moved to convert the case to a case under Chapter 11 of the U.S. Bankruptcy Code. Thereafter, several creditors of RAC brought actions against Industries seeking payment. However, on January 10, 1992, the bankruptcy court extended the bankruptcy stay to Industries' contingent creditors thus preventing them from seeking recovery of their claims, pending voting on the RAC Plan of Reorganization ("RAC Plan").

The RAC Plan was confirmed by the bankruptcy court on May 29, 1992 following an overwhelming vote by creditors.

In September 1991, State Street Bank and Trust Company and James A. Quale commenced legal action against Industries and HPI, Inc. as trustees under a July 1, 1978 mortgage and deed of trust for holders of Heck's Properties, Inc.'s, (now known as HPI, Inc.) 8.625% Secured Notes.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) No reports on Form 8-K have been filed during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HALLWOOD HOLDINGS INCORPORATED

Date: July 13, 1992

By:

Maarten D. Hemsley
President, Chief Executive Officer
and Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended May 31, 1992

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _________ to _________

Commission file number: 0-18268

INTEGRATED SYSTEMS, INC.

(Exact name of Registrant as specified in its charter)

California	**94-2658153**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

3260 Jay Street
Santa Clara, California 95054-3309
(408) 980-1500
(Address, including zip code, of Registrant's principal executive offices and telephone number, including area code)

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Q-Data Corp. - St. Petersburg, FL

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes __X__ No ____

The number of shares outstanding of the Registrant's Common Stock on June 30, 1992 was 9,266,993 shares.

The Exhibit Index is located on page 12.

Page 1 of 14 pages, including Exhibits.

INTEGRATED SYSTEMS, INC.

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PART I - FINANCIAL INFORMATION

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The condensed consolidated interim financial statements included herein have been prepared by Integrated Systems, Inc. (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. It is suggested that the condensed consolidated interim financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended February 28, 1992.

The accompanying condensed consolidated interim financial statements have been prepared in all material respects in conformity with the standards of accounting measurements set forth in Accounting Principles Board Opinion No. 28 and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary to summarize fairly the financial position and results of operations for such periods. The results of operations for such interim periods are not necessarily indicative of the results to be expected for the full year.

The Company adopted Statement of Position 91-1, Software Revenue Recognition ("SOP") in the first quarter of fiscal 1993. This adoption requires the deferral and ratable recognition over the service period of software maintenance revenue bundled with initial product license revenue and renewal revenue related to product license renewals where the renewal amount is substantially less than the initial license fee. In prior periods such revenue was recognized upon shipment of the product license or execution of the renewal. The Statement requires the restatement of previously reported financial information and the results for prior years and prior quarters have been restated accordingly.

The Company's fiscal year is reported on a 52/53-week period ending on the last Saturday in February of each year. Quarterly periods do not necessarily end on the last day of a calendar month. For clarity of presentation herein, all fiscal periods, including quarters, are treated as ending on a calendar month-end.

INTEGRATED SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands)

	February 28, 1992	May 31, 1992
	(restated) (1)	(unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$6,641	$7,467
Marketable securities	17,344	19,535
Accounts receivable, net	7,792	6,477
Deferred income taxes	821	1,104
Other current assets	635	673
Total current assets	33,233	35,256
Property and equipment, net	2,092	2,005
Other assets	243	310
Intangible assets, net	2,849	2,745
Total assets	$38,417	$40,316
LIABILITIES		
Current liabilities:		
Accounts payable	$540	$270
Accrued payroll and related expenses	1,261	1,022
Other accrued liabilities	884	736
Income taxes payable	1,017	1,852
Deferred revenue	3,485	4,049
Deferred income taxes	—	—
Total current liabilities	7,187	7,929
Other liabilities	284	307
Total liabilities	7,471	8,236
SHAREHOLDERS' EQUITY		
Common Stock, no par value, 25,000 shares authorized: 9,239 and 9,263 shares issued and outstanding at February 28, 1992 and May 31, 1992, respectively	30,627	30,826
Retained earnings	319	1,254
Total shareholders' equity	30,946	32,080
Total liabilities and shareholders' equity	$38,417	$40,316

(1) Restated in accordance with Statement of Position 91-1, Software Revenue Recognition

The accompanying notes are an integral part of these consolidated financial statements.

INTEGRATED SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)
(unaudited)

	Three Months Ended May 31,	
	1991 (restated) (1)	1992
Revenue:		
Product licenses	$3,206	$5,924
Engineering services	1,281	1,321
Total revenue	4,487	7,245
Costs and expenses:		
Cost of revenue	1,104	1,458
Marketing and sales	1,450	2,354
Research and development	903	1,450
General and administrative	483	585
Amortization of intangible assets	—	308
Total costs and expenses	3,940	6,155
Income from operations	547	1,090
Interest and other income	549	349
Income before income taxes	1,096	1,439
Provision for income taxes	384	504
Net income	$712	$935
Earnings per share	$0.08	$0.10
Shares used in per share calculations	8,400	9,518

(1) Restated in accordance with Statement of Position 91-1, Software Revenue Recognition.

The accompanying notes are an integral part of these consolidated financial statements.

INTEGRATED SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)
(unaudited)

	Three Months Ended May 31,	
	1991 (restated) (1)	1992
Cash flows from operating activities:		
Net income	$712	$935
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	156	454
Deferred income taxes	25	(283)
Changes in assets and liabilities:		
Accounts receivable	28	1,315
Other current assets	(108)	(38)
Accounts payable, accrued payroll and other accrued liabilities	(69)	(657)
Income taxes payable	(95)	835
Deferred revenue	(85)	564
Other assets and liabilities	59	(44)
Net cash provided by operating activities	623	3,081
Cash flows used in investing activities:		
Purchases of marketable securities, net	(3,764)	(2,191)
Additions to property and equipment, net	(370)	(223)
Net cash used in investing activities	(4,134)	(2,414)
Cash flows from financing activities:		
Proceeds from exercise of common stock options and purchases under the employee stock purchase plan	115	159
Net cash provided by financing activities	115	159
Net increase (decrease) in cash and cash equivalents	(3,396)	826
Cash and cash equivalents at beginning of period	4,071	6,641
Cash and cash equivalents at end of period	$675	$7,467
Supplemental disclosure of cash flow information:		
Net cash paid (received) during the period for income taxes	$407	($ 47)

(1) Restated in accordance with Statement of Position 91-1, Software Revenue Recognition.

The accompanying notes are an integral part of these consolidated financial statements.

INTEGRATED SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information for the three months ended
May 31, 1991 and 1992 is unaudited)

1. Summary of Significant Accounting Policies

The condensed consolidated financial statements include the accounts of Integrated Systems, Inc. and its wholly owned subsidiaries, after elimination of all significant intercompany accounts and transactions, and should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended February 28, 1992. The February 28, 1992 balance sheet data, after restatement for Statement of Position 91-1, Software Revenue Recognition (see Note 2), were derived from the audited financial statements. The balance sheet data do not include all disclosures required by generally accepted accounting principles.

2. Adoption of Statement of Position 91-1, Software Revenue Recognition

The Company adopted Statement of Position 91-1, Software Revenue Recognition ("SOP") in the first quarter of fiscal 1993. This adoption requires the deferral and ratable recognition over the service period of software maintenance revenue bundled with initial product license revenue and the deferral and ratable recognition of renewal revenue related to product license renewals where the renewal amount is substantially less than the initial license fee. In prior periods such revenue was recognized upon shipment of the product license or execution of the renewal. Under the SOP, the Company now allocates the portion of its product license revenue related to software maintenance revenue based upon product license renewal amounts which are substantially less than the initial product license fee when such services are not sold separately, or based upon the amount charged for such services when they are sold separately and recognizes such revenue ratably over the service period. Furthermore, license revenue amounts that are substantially less than the initial license are deferred and recognized ratably over the license term. The Statement requires the restatement of previously reported financial information and the results for prior years and prior quarters have been restated accordingly.

The impact of the restatement on total revenue, net income and earnings per share for the three months ended May 31, 1991 and 1992 is as follows:

	Three Months Ended May 31,	
	1991	1992
(in thousands, except per share data)		
Total revenue, before impact of SOP (as reported in fiscal 1992)	$4,419	$7,223
Impact of SOP	68	22
Total revenue, as restated	$4,487	$7,245
Net income, before impact of SOP (as reported in fiscal 1992)	$668	$921
Impact of SOP	44	14
Net income, as restated	$712	$935
Earnings per share, before impact of SOP (as reported in fiscal 1992)	$0.08	$0.10
Impact of SOP	—	—
Earnings per share, as restated	$0.08	$0.10

3. Software Development Costs

The Company incurs certain costs to develop computer software to be licensed or otherwise marketed to customers. In prior periods, costs that would be required to be capitalized under Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed" ("SFAS No. 86") have not been significant. As a result of an increased emphasis on quality, longer testing periods and the addition of Software Components Group costs, such capitalizable costs have become more significant; consequently, the Company capitalized $164,000 of research and development expenses related to the development of software products in the first quarter of fiscal 1993 in accordance with the requirements of SFAS No. 86.

4. Earnings Per Share

Earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period when such equivalents have a dilutive effect. Dilutive common equivalent shares consist of stock options (using the treasury stock method).

The following table sets forth the calculation of earnings per share for purposes of this report:

	Three Months Ended May 31,	
(in thousands, except per share data)	1991	1992
	(unaudited)	
Primary:		
Net income	$712	$935
Number of shares:		
Weighted average number of common shares outstanding	8,148	9,255
Dilutive effect of options, net	252	263
	8,400	9,518
Earnings per share	$0.08	$0.10
Fully diluted:		
Net income	$712	$935
Number of shares:		
Weighted average number of common shares outstanding	8,148	9,255
Dilutive effect of options, net	256	263
	8,404	9,518
Earnings per share	$0.08	$0.10

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with the consolidated interim financial statements and the notes thereto included in Item 1 of this Quarterly Report and with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Company's Annual Report on Form 10-K for the year ended February 28, 1992, as filed with the Securities and Exchange Commission on May 26, 1992.

Results of Operations

The Company adopted Statement of Position 91-1, Software Revenue Recognition, in the first quarter of fiscal 1993. This adoption requires the deferral and ratable recognition over the service period of software maintenance revenue bundled with initial product license revenue and the deferral and ratable recognition of renewal revenue, related to product license renewals where the renewal amount is substantially less than the initial license fee. In prior periods such revenue was recognized upon shipment of the product license or execution of the renewal. The Statement requires the restatement of previously reported financial information and the results for prior years and prior quarters have been restated accordingly.

The following table sets forth for the periods indicated (a) the percentage of total revenue represented by each line item in the Company's consolidated statements of income and (b) the percentage change in each line item from the prior period:

	Percentage of Total Revenue		Percentage Change
	Three Months Ended May 31,		Three Months Ended May 31,
	1991 (1)	1992	1991 to 1992
Revenue:			
Product licenses	71 %	82 %	85 %
Engineering services	29	18	3
Total revenue	100	100	61
Costs and expenses:			
Cost of revenue	25	20	32
Marketing and sales	32	32	62
Research and development	20	20	61
General and administrative	11	8	21
Amortization of intangible assets	—	5	N/A
Total costs and expenses	88	85	56
Income from operations	12	15	99
Interest and other income	12	5	(36)
Income before income taxes	24	20	31
Provision for income taxes	8	7	31
Net income	16 %	13 %	31 %

(1) Restated percentages in accordance with Statement of Position 91-1, Software Revenue Recognition

Revenue

The Company's revenue is primarily derived from the licensing of its products, related license renewals and engineering services. The Company's total revenue grew 61% from the first quarter of fiscal 1992 to the first quarter of fiscal 1993, primarily as a result of the inclusion of $2,295,000 product license revenue from Software Components Group ("SCG") which was acquired in the second quarter of fiscal 1992. Total revenue, excluding SCG revenue, increased by 10% between these comparison periods. Aggregate product license revenue, excluding SCG revenue, increased by 13% between these comparison periods.

Costs and Expenses

The Company's cost of revenue as a percentage of total revenue decreased from 25% to 20% from the first quarter of fiscal 1992 to the first quarter of fiscal 1993. The decrease is due to the higher margins associated with the products acquired from SCG, which are primarily software, when compared to the Company's engineering services and products that have a hardware component, which have lower margins.

Marketing and sales expenses increased approximately $904,000 in absolute dollars between the quarterly comparison periods but was the same as a percentage of total revenue between the comparable periods. The increase in absolute dollars was primarily the result of the inclusion of the costs of SCG employees for the first quarter of fiscal 1993. Research and development expenses and general and administrative expenses also grew substantially in absolute dollars between the comparison periods, primarily as a result of the inclusion of the costs of SCG employees for the first quarter of fiscal 1993. In addition each of these expense categories increased because of growth in headcount and associated expenses in the Company's pre-acquisition business.

Costs and expenses in the first quarter of fiscal 1993 include $308,000 of on-going amortization of intangible assets (purchased software, goodwill and a covenant not to compete) in connection with the acquisition of SCG, which was acquired in the second quarter of fiscal 1992.

In prior periods, costs that would be required to be capitalized under Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed" ("SFAS No. 86") have not been significant. As a result of an increased emphasis on quality, longer testing periods and the addition of SCG costs, such capitalizable costs have become more significant; consequently, the Company capitalized approximately $164,000 of research and development expenses related to the development of software products in the first quarter of fiscal 1993 in accordance with the requirements of SFAS No. 86. The amount capitalized represents approximately 10% of total research and development costs for the first quarter of fiscal 1993. The amount of research and development expenditures capitalized in a given time period depends upon the nature of the development performed and, accordingly, amounts capitalized may vary from period to period.

Other

The Company's interest and other income fell from $549,000 to $349,000 between the quarterly comparison periods. The results in the three months ended May 31, 1991 include a gain of $156,000 realized upon the conversion of securities, primarily Treasury Notes, into Federal tax free investments. The remainder is due to a decrease in the average rate of return despite an increase in cash equivalent and marketable securities balances.

Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109), was issued in February 1992 and is effective for fiscal years beginning after December 15, 1992. Management has not determined if it will adopt SFAS No. 109 prior to its effective date or which method of adoption will be used to reflect the change in accounting principle. Management has not estimated the impact of adopting SFAS No. 109.

Liquidity and Capital Resources

The Company has funded its operations to date principally through cash flow from operations. As of May 31, 1992, the Company had approximately $27,000,000 of cash, cash equivalents and marketable securities, consisting of the proceeds of the initial public offering, excess cash flow from operations, and cash from the SCG Merger. This represents an increase of approximately $3,000,000 from February 28, 1992. The Company currently has a $1,000,000 unsecured bank line of credit, expiring July 15, 1992, under which borrowings would bear interest at the bank's prime rate. Although the Company has no current need for this line of credit, it presently plans to extend this line. The Company has never borrowed under this line and has no long-term debt. The Company believes that cash flow from operations, together with existing cash balances and available borrowings, will be adequate to meet the Company's cash requirements for the foreseeable future.

Net cash provided by operating activities during the first quarter of fiscal 1993 totaled $3,081,000 compared to $623,000 in the first quarter of fiscal 1992. The increase in cash from operating activities was primarily due to increased net income before depreciation and amortization and a decrease in accounts receivable. Net cash used in investing activities totaled $2,414,000 in the first quarter of fiscal 1993 compared to $4,134,000 in the first quarter of fiscal 1992 as the Company reduced its net purchases of marketable securities by $1,573,000. The Company expects that it will be able to sustain its level of expenditures on property and equipment, as it has in the past, from cash flow from operations.

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Shareholders held July 9, 1992, the shareholders approved an amendment to the Company's 1988 Incentive Stock Option Plan to increase the number of shares reserved for issuance thereunder from 1.0 million shares to 2.0 million shares by a vote of 6,432,025 for, 821,582 against and 18,943 abstain.

Item 5. Other Information

On June 16, 1992, the Company's Form S-8 Registration Statement was filed with the Securities and Exchange Commission covering the registration of an additional 1,000,000 shares of Common Stock issuable under the Company's 1988 Incentive Stock Option Plan.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

Exhibit Number	Title	Page Number
22.01	List of Registrant's Subsidiaries	14

(b) Reports on Form 8-K. No reports on Form 8-K were filed by Registrant during the three months ended May 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: July 10, 1992

INTEGRATED SYSTEMS, INC.
(Registrant)

NARENDRA K. GUPTA
President, Chief Executive Officer
and Secretary
(Duly Authorized Officer)

SCOTT C. MCDONALD
Vice President, Finance and Administration
Chief Financial Officer

EXHIBIT 22.01

SUBSIDIARIES
OF
INTEGRATED SYSTEMS, INC.

1. Integrated Systems, Inc., F.S.C.

   Formed June 3, 1988 - U.S. Virgin Islands

2. Integrated Systems Inc. Limited

   Formed August 24, 1989 - United Kingdom

3. Integrated Systems Inc. SA

   Formed June 1, 1992 - France

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)
_X_ Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarterly Period Ended May 31, 1992

or

___ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-12323

PROCESSED BY
13-13=1
JUL 17 1992

Intermetrics, Inc.

(Exact name of registrant as specified in its charter)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Delaware
(State or other jurisdiction of incorporation or organization)

(I.R
Identification No.)

<39>

733 Concord Avenue, Cambridge, Massachusetts
(Address of principal executive office)

02138
(Zip Code)

SEC MAIL RECEIVED
JUL 13 1992
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WASH DC PROCESSING SECTION

Registrant's telephone number, including area code: (617) 661-1840

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety (90) days.

Yes _X_ No ___

As of June 30, 1992, there were 3,779,472 shares of the Registrant's common stock (par value $.01 per share) outstanding.

INTERMETRICS, INC.

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PART I: FINANCIAL INFORMATION

INTERMETRICS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

ASSETS

	May 31, 1992 (Unaudited)	February 29, 1992
Current assets:		
Cash and cash equivalents	$ 889,000	$ 763,000
Investments	5,892,000	5,835,000
Accounts receivable	9,569,000	10,888,000
Unbilled receivables	5,467,000	4,729,000
Other current assets	666,000	760,000
Total current assets	22,483,000	22,975,000
Equipment and leasehold improvements:		
Data processing and other equipment	8,137,000	8,094,000
Furniture and office equipment	2,418,000	2,306,000
Leasehold improvements	723,000	706,000
	11,278,000	11,106,000
Less: Accumulated depreciation and amortization	9,811,000	9,656,000
	1,467,000	1,450,000
Other long-term assets	4,436,000	4,185,000
Less: Accumulated amortization	1,843,000	1,707,000
	2,593,000	2,478,000
Total Assets	$26,543,000	$26,903,000

LIABILITIES AND STOCKHOLDERS' EQUITY

	May 31, 1992 (Unaudited)	February 29, 1992
Current liabilities:		
Accounts payable	$ 2,137,000	$ 1,820,000
Accrued payroll and employee benefits	4,038,000	4,251,000
Other accrued liabilities	2,274,000	2,312,000
Unearned revenue	717,000	985,000
Deferred income taxes	537,000	537,000
Total current liabilities	9,703,000	9,905,000
Commitments		
Stockholders' equity:		
Common stock, $.01 par value- Authorized 12,000,000 shares; Issued 3,811,992 shares at May 31, 1992 and 3,786,117 shares at February 29, 1992	38,000	38,000
Capital in excess of par value	10,111,000	9,996,000
Retained earnings	6,907,000	7,153,000
Cumulative effect of currency translation	(10,000)	(2,000)
Treasury stock, at cost; 34,020 shares at May 31, 1992 and 30,670 shares at February 29, 1992	(206,000)	(187,000)
Total stockholders equity	16,840,000	16,998,000
Total Liabilities and Stockholders' Equity	$26,543,000	$26,903,000

The accompanying notes are an integral part of these consolidated condensed financial statements.

INTERMETRICS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended May 31,	
	1992	1991
Revenues	$14,901,000	$14,938,000
Cost of revenues	10,563,000	10,856,000
Selling, general and administrative costs	3,240,000	3,014,000
Research and development costs	333,000	251,000
Operating profit	765,000	817,000
Interest income, net	70,000	126,000
Income before income taxes	835,000	943,000
Provision for income taxes	326,000	377,000
Net income	$ 509,000	$ 566,000
Net income per share	$.13	$.15
Weighted average shares outstanding	3,855,000	3,755,000

The accompanying notes are an integral part of these consolidated condensed financial statements.

INTERMETRICS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	COMMON STOCK					Treasury Stock		
	Number of Shares	$.01 Par Value	Capital in Excess of Par Value	Retained Earnings	Cumulative Effects of Currency Translation Adjustments	Shares	Cost	Total Stockholders' Equity
Balance February 28, 1991	3,664,053	$ 37,000	$ 9,469,000	$5,496,000	$ 8,000	(23,722)	$(142,000)	$14,868,000
Stock options	91,822	1,000	412,000	-	-	-	-	413,000
Purchase of Treasury Stock	-	-	-	-	-	(7,148)	(45,000)	(45,000)
Employee Stock Plan	30,242	-	115,000	-	-	-	-	115,000
Dividend paid ($.20 per share)	-	-	-	(733,000)	-	-	-	(733,000)
Currency translation	-	-	-	-	(10,000)	-	-	(10,000)
Net income	-	-	-	2,390,000	-	-	-	2,390,000
Balance February 29, 1992	3,786,117	38,000	9,996,000	7,153,000	(2,000)	(30,870)	(187,000)	16,998,000
Stock Options	25,875	-	115,000	-	-	-	-	115,000
Purchase of Treasury Stock	-	-	-	-	-	(3,150)	(19,000)	(19,000)
Employee Stock Plan	-	-	-	-	-	-	-	-
Dividend paid ($.20 per share)	-	-	-	(755,000)	-	-	-	(755,000)
Currency translation	-	-	-	-	(8,000)	-	-	(8,000)
Net income	-	-	-	509,000	-	-	-	509,000
Balance May 31, 1992	3,811,992	$ 38,000	$10,111,000	$6,907,000	$(10,000)	(34,020)	$(206,000)	$16,840,000
	=======	=======	========	=======	======	======	=======	========

The accompaying notes are an integral part of these consolidated condensed financial statements.

INTERMETRICS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

	Three Months ended May 31,	
	1992	1991
CASH PROVIDED BY OPERATIONS:		
Net income	$ 509,000	$ 566,000
Depreciation and amortization	313,000	243,000
	822,000	809,000
CASH PROVIDED BY (USED FOR) WORKING CAPITAL:		
Accounts receivable	1,319,000	146,000
Unbilled receivables	(738,000)	938,000
Other current assets	94,000	2,000
Accounts payable	317,000	(821,000)
Accrued payroll and employee benefits	(213,000)	(129,000)
Unearned revenue	(268,000)	109,000
Accrued liabilities and deferred income taxes	(38,000)	(82,000)
	473,000	163,000
CASH FROM OPERATIONS	1,295,000	972,000
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES:		
Sale (purchase) of investments, net	(57,000)	(121,000)
Acquisition of equipment and leaseholds	(202,000)	205,000
Proceeds from sale of equipment	-0-	4,000
Purchases of other long-term assets	(251,000)	(68,000)
	(510,000)	20,000
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES:		
Proceeds from stock option activity	115,000	160,000
Purchase of Treasury Stock	(19,000)	(45,000)
Dividend paid	(755,000)	(733,000)
	(659,000)	(618,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	126,000	374,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	763,000	486,000
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 889,000	$ 860,000
	=======	=======

The accompanying notes are an integral part of these consolidated condensed financial statements.

INTERMETRICS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
May 31, 1992

1. Basis of Presentation

In the opinion of management, the accompanying consolidated condensed financial statements contain all normal recurring adjustments necessary for a fair presentation. The results of operations for the three-month period ended May 31, 1992 are not necessarily indicative of the results to be expected for the full year.

The significant accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements in the annual report on Form 10-K, Securities and Exchange Commission file number 0-12323, dated May 22, 1992 which is incorporated herein by reference. These financial statements should be read in conjunction with the financial statements included in the annual report on Form 10-K.

2. Reclassifications

Certain items within the May 31, 1991 Consolidated Condensed Statements of Cash Flows and the Consolidated Condensed Statements of Income have been reclassified for consistent presentation. Such reclassifications have no effect on previously reported earnings.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

RESULTS OF OPERATIONS

REVENUES *(In Thousands)*

	Three Months ended May 31		
	1992	INC(DEC)	1991
Revenues	$14,901	-%	$14,938

The Company's revenues for the first quarter of fiscal 1993 remained at approximately the same level as the first quarter of fiscal 1992, but were down about 7% from the fourth quarter of fiscal 1992. A revenue comparison across the Company's businesses between the first quarters of fiscal 1993 and 1992 indicates an increase at the Defense Systems Group of about 8% offset by a comparable reduction at the Aerospace Systems Group. Higher revenues at Defense Systems are principally attributed to additional work on existing software engineering and systems contracts. The decrease in revenues at Aerospace Systems resulted from completion of contracts and deferred funding on awarded contracts. The mix between government and commercial revenues remained at the same levels for the first quarters of fiscal 1993 and 1992. The decrease in revenues when compared to the fourth quarter of fiscal 1992 was primarily attributed to contract completions and funding delays at the Company's Aerospace Systems Group and to fewer shipments of standard software tool products.

The Company's backlog at the end of the first quarter of fiscal 1993 was $43.2 million. This compares to a backlog of $53.4 million at year end fiscal 1992. The decrease is attributed to deferred funding on awarded contracts as well as delays of anticipated government proposals and awards.

COST OF REVENUES *(In Thousands)*

	Three Months ended May 31.		
	1992	INC(DEC)	1991
Cost of revenues	$10,563	(3%)	$10,856
% of revenues	71%		73%

Cost of revenues as a percentage of revenues improved slightly in the first quarter of fiscal 1993 over the same period a year ago. The improved performance was primarily attributed to improved performance on certain government contracts with award fee provisions. The receipts of these award fees, subject to performance evaluations, results in increased revenue recognition without a corresponding increase in cost. Due to the Company's contract mix and the competitive nature of recently awarded contracts, cost as a percentage of revenues for fiscal 1993 is expected to remain consistent with historical performance.

OPERATING EXPENSES *(In Thousands)*

	Three Months ended May 31.		
	1992	INC(DEC)	1991
Selling, general and administrative costs	$3,240	7%	$3,014
% of revenues	22%		20%
Research and development costs	$333	33%	$251
% of revenues	2%		2%

Selling, general and administrative (SG&A) costs in the first quarter of fiscal 1993 increased by 7% when compared to the same period last year. SG&A costs as a percentage of revenues also increased from 20% to 22% during the two fiscal quarters. The increase in SG&A costs is primarily attributed to market development costs associated with the Company's planned strategy to invest in potential growth opportunities in commercial (business alliances with IBM and Texas Instruments for multimedia systems, and with Serius Corporation for object-oriented programming technology) and civilian government markets. The Company also incurred substantial spending on new and follow-on government proposals targeted for award later in fiscal 1993. SG&A costs were partially offset by a cost containment program initiated within the Company's standard software tools operations.

Research and development (R&D) costs increased in the first quarter of fiscal 1993 by 33% over the same quarter one year ago. R&D costs reflect Company-funded expenditures as well as those costs allowable under U.S. Government contracts not related to a particular contract. The increase in costs was principally attributed to substantially higher spending of R&D costs allowable under U.S. Government contracts. These costs were partially offset by lower Company sponsored development costs related standard software tools products.

OPERATING PROFIT *(In Thousands)*

	Three Months ended May 31.		
	1992	INC(DEC)	1991
Operating profit	$765	(6%)	$817
% of revenues	5%		5%

Operating profit was lower by 6% in the first quarter of fiscal 1993 when compared to the prior period last year. As a percentage of revenues, operating profit remained at the same level as the prior reporting period. The decrease in operating profit dollars in the first quarter of fiscal 1993 is principally attributed to higher SG&A costs related to market development expenditures.

INTEREST INCOME, NET *(In Thousands)*

	Three Months ended May 31.		
	1992	INC(DEC)	1991
Interest income, net	$70	(44%)	$126
% of revenues	-%		1%

The Company's results of operations continued to benefit from net interest income in the first quarter of fiscal 1993, although at a reduced level. The decreased level in the first quarter of fiscal 1993 when compared to the same period a year ago resulted from lower invested cash balances combined with declining interest rates. The prepayment of the Company's long term debt in fiscal 1992 provided some benefit in the current quarter.

INCOME TAXES *(In Thousands)*

	Three Months ended May 31.		
	1992	INC(DEC)	1991
Income taxes	$326	(14%)	$377
% of revenues	2%		3%
Effective rate	39%		40%

The Company's effective income tax rate of 39% for the first quarter of fiscal 1993 is down slightly from the 40% rate in the first quarter of fiscal 1992. The higher effective rate of 40% in the first quarter of fiscal 1992 was subsequently adjusted during the year (to 38%) to reflect utilization of available tax credits.

LIQUIDITY AND CAPITAL RESOURCES

The Company's combined cash and investment balance was $6,781,000 at the end of the first quarter of fiscal 1993. This compares with a balance of $6,598,000 on hand at year end fiscal 1992. Cash provided from operations and working capital of $1,295,000 was used to purchase capital equipment and other long term assets as well as pay a dividend on the Company's common stock. On April 8, 1992, the Company's Board of Directors voted the regular annual cash dividend of $.20 per share, amounting to a total payment of approximately $755,000. The dividend was paid on May 20, 1992 to stockholders of record on April 30, 1992.

Working Capital, which consists principally of investments and receivables, was $12,780,000 at the end of the first quarter of fiscal 1993 compared to $13,070,000 at year end fiscal 1992. The reduction in working capital resulted from a lower accounts receivable balance partially offset by higher unbilled receivables. The lower accounts receivable balance was attributed to increased cash collections and a reduction in revenues when compared to the fourth quarter of fiscal 1992. The higher unbilled receivables resulted from expeditures on development efforts not billable until the completion of major milestones. The ratio of current assets to current liabilities as of the end of the first quarter and year end was 2.3:1. The Company had no long term debt at the end of the first quarter of fiscal 1993 since it had prepaid the remaining balance of unsecured debt during the prior fiscal year. The Company continues to maintain an unsecured combined $8,000,000 credit facility composed of a $5,000,000 bank revolving credit loan and a $3,000,000 line of credit. As of May 31, 1992 and the end of the prior fiscal year, the Company had no borrowings under this facility.

PART II: OTHER INFORMATION

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exhange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Intermetrics, Inc.

Date: July 10, 1992

By: Joseph A. Saponaro

Joseph A. Saponaro
President and
Chief Executive Officer

Date: July 10, 1992

By:

Nicholas A. Pettinella
Vice President - Finance
Chief Financial Officer,
Treasurer and
Assistant Secretary

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended February 29, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to ______________

Commission file number 1-11084

KOHL'S CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	39-1630919
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

N54 W13600 Woodale Drive, Menomonee Falls, Wisconsin 53051
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (414) 783-5800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 Days.

Yes X No ______

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: May 30, 1992 Common Stock, Par Value $.01 Per Share, 35,038,217 Shares Outstanding.

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KOHL'S CORPORATION
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JUN 30 1992

PART I. FINANCIAL INFORMATION

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KOHL'S CORPORATION

CONSOLIDATED CONDENSED BALANCE SHEETS

	February 23, 1991	August 31, 1991	February 29, 1992
	(Unaudited)		(Unaudited)
		(In Thousands)	
Assets			
Current assets:			
Cash	$696	$759	$840
Merchandise inventories	123,793	145,428	149,493
Other	4,308	5,388	5,660
Total current assets	128,797	151,575	155,993
Collateral account	2,819	2,819	3,557
Property and equipment	117,679	124,951	136,507
Less accumulated depreciation	18,334	22,775	27,712
	99,345	102,176	108,795
Favorable leased assets	32,944	31,894	30,844
Financing and other deferred costs	11,375	10,586	9,355
Excess of cost of acquisition over net assets acquired	65,948	63,427	60,905
	$341,228	$362,477	$369,449
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable	$49,280	$70,845	$56,720
Accrued and other current liabilities	33,079	41,722	33,587
Income taxes payable	2,184	2,683	4,099
Deferred income taxes	3,129	1,803	3,742
Current portion of long-term debt and capital leases	9,257	1,880	1,001
Total current liabilities	96,929	118,933	99,149
Long-term debt	215,179	206,953	216,906
Capital leases	9,856	9,681	9,155
Deferred income taxes	11,488	12,309	13,299
Other long-term liabilities	5,338	8,223	7,655
Shareholders' equity:			
Common stock	272	272	272
Paid-in capital	24,728	24,728	24,728
Excess purchase price over carryover basis of Kohl's Holding Inc.	(31,485)	(31,485)	(31,485)
Retained earnings	8,923	13,083	29,770
Less treasury stock	-	-	-
Total shareholders' equity	2,438	6,598	23,285
	$341,228	$362,477	$369,449

See accompanying Notes to Consolidated Condensed Financial Statements

KOHL'S CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(unaudited)

	13 Weeks Ended Feb. 23, 1991	13 Weeks Ended Feb. 29, 1992	26 Weeks Ended Feb. 23, 1991	26 Weeks Ended Feb. 29, 1992
	(in thousands except per share data)			
Sales	$227,015	$257,806	$442,392	$521,798
Cost of merchandise sold	155,120	174,421	297,342	348,561
Gross Margin	71,895	83,385	145,050	173,237
Operating expenses:				
Selling, general and administrative	48,723	58,328	101,903	123,185
Depreciation and amortization	2,858	3,337	5,740	6,524
Amortization of excess of cost of acquisition over net assets acquired	1,261	1,261	2,522	2,522
Preopening expenses	47	72	66	2,222
Operating income	19,006	20,387	34,819	38,784
Other expense:				
Interest expense, net	6,355	5,011	13,728	11,178
Amortization of deferred financing costs	381	321	872	643
Income before income taxes	12,270	15,055	20,219	26,963
Provision for income taxes	5,693	6,481	9,381	11,605
Income before extraordinary item	6,577	8,574	10,838	15,358
Extraordinary gain	0	0	0	1,329
Net income	$6,577	$8,574	$10,838	$16,687
Earnings per share:				
Income before extraordinary item	$0.25	$0.32	$0.41	$0.58
Extraordinary gain	0.00	0.00	0.00	0.05
Net income	$0.25	$0.32	$0.41	$0.63
Weighted average number of common shares	26,663	26,615	26,663	26,615

See accompanying Notes to Consolidated Condensed Financial Statements

KOHL'S CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW

(Unaudited)

	26 Weeks Ended Feb. 23, 1991	26 Weeks Ended Feb. 29, 1992
	(In Thousands)	
Operating activities		
Net income	$10,838	$16,687
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,134	9,689
Deferred income taxes	2,663	2,929
Interest-Junior Subordinated Notes	1,326	793
Gain on purchase of Junior Subordinated Notes	-	(2,164)
Other noncash charges	-	383
Changes in operating assets and liabilities	(9,071)	(26,272)
Net cash provided by operating activities	14,890	2,045
Investing activity		
Acquisition of property and equipment, net	(3,647)	(11,556)
Financing activities		
Proceeds from (deposits to) collateral account	2,729	(738)
Payment of financing and other deferred costs	5	51
Net borrowing (repayments) under working capital loan	(3,000)	21,000
Purchase of Junior Subordinated Notes	-	(9,217)
Payments of long-term debt and capital lease obligations	(11,083)	(1,504)
Net cash used for financing activities	(11,349)	9,592
Net increase (decrease) in cash	(106)	81
Cash at beginning of period	802	759
Cash at end of period	$696	$840

See accompanying Notes to Consolidated Condensed Financial Statements

KOHL'S CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for fiscal year end financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the financial statements and footnotes thereto included in the Company's registration Statement on Form S-1 (Reg. No. 33-46883) filed with the Securities and Exchange Commission which became effective on May 18, 1992.

2. Earnings per Share

Earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during each period, adjusted for the 19-for-1 stock split to be effected with the completion of the Company's initial public offering. The dilutive effect of certain restricted shares has been reduced using the treasury stock method based on the tax benefits to be received by the Company when the restrictions lapse.

3. Inventories

Merchandise inventories are stated at the lower of cost or market with cost determined by the last-in, first-out (LIFO) method. Inventories would have been $4,698,000 higher at February 23, 1991 and $3,189,000 higher at February 29, 1992, if they had been valued using the first-in, first-out method.

4. Extraordinary Gain

In November 1991, the Company purchased for $9,217,000 Junior Subordinated Notes with a carrying amount of $11,381,000 and recognized an extraordinary gain of $2,164,000 ($1,329,000 after tax). These Junior Subordinated Notes were all the notes previously held by a shareholder of the Company.

5. Subsequent Events

On May 18, 1992, the Company completed an initial public offering of 9,675,000 shares of its common stock at a price of $14.00 per share. Of the 9,675,000 shares, 1,610,000 shares were sold by Selling Stockholders, and 8,065,000 shares were sold by the Company. On June 1, 1992, the Company used the net proceeds along with borrowings of $14,600,000 under the company's revolving credit facility to redeem all ($105,000,000) of its outstanding Floating Rate Senior Subordinated Notes due 1998 and all ($13,174,000) of its outstanding 13% Junior Subordinated Notes due 1998 and to pay interest accrued thereon through the date of redemption. In connection with this redemption, the Company expects to incur an extraordinary charge of $2,118,000 (after tax) in the fourth quarter of fiscal 1992 to write-off unamortized deferred financing fees and the remaining obligations under an interest rate cap agreement associated with the Senior Subordinated Notes.

On an unaudited basis, the proforma income before extraordinary items and proforma earnings per share before extraordinary items for the periods after giving effect to the initial public offering and the related reduction of indebtedness as if all had occurred at the beginning of the periods would be as follows:

	13 Weeks Ended 2/29/92	26 Weeks Ended 2/29/92
	(In thousands except per share data)	
Proforma income before extraordinary items	$10,244	$18,751
Proforma earnings per share before extraordinary items	$.29	$.54

In connection with its Equity and Management Incentive Plans, the Company expects to incur, as of the closing of the offering, a non-recurring incentive compensation charge of $10,641,000 (after tax) based upon the initial public offering price of $14.00 per share.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

THREE MONTHS ENDED FEBRUARY, 1992

Results of Operations

The following table sets forth the Company's unaudited results for the periods indicated:

(Dollars in thousands, except per share and square foot data)

	Quarter Ended 2/23/91	Quarter Ended 2/29/92	Six Months Ended 2/23/91	Six Months Ended 2/29/92
Net sales	$227,015	$257,806	$442,392	$521,798
Gross margin	71,895	83,385	145,050	173,237
Operating income	19,006	20,387	34,819	38,784
Interest expense	6,736	5,332	14,600	11,821
Income before extraordinary item	6,577	8,574	10,838	15,358
Net income	6,577	8,574	10,838	16,687
Earnings per share:				
Income before extraordinary item	$ .25	$ .32	$ .41	$ .58
Net income	$ .25	$ .32	$ .41	$ .63
Comp. store sales growth	9.8%	1.6%	9.9%	6.3%
Net sales per selling sq. ft.	$ 61	$ 62	$ 120	$ 127

Although the fiscal year ended August 31, 1991 contained 53 weeks, the fiscal year ended August 29, 1992 contains 52 weeks. Accordingly, the reporting periods in fiscal 1992 begin one week later than the same reporting periods in fiscal 1991, which affects the comparability of reported monthly and quarterly results for fiscal 1992 and fiscal 1991. For example, second quarter 1992 began on December 1, 1991 while second quarter 1991 began on November 25, 1990. As a result, as compared to second quarter 1991, second quarter 1992 contained six fewer holiday shopping days.

Net sales increased 13.6% while comparable store sales increased 1.6% in the second quarter of 1992 compared to the second quarter of 1991. Gross margin for the second quarter of 1992 increased to 32.3% from 31.7% in the second quarter of 1991. For the six months, total net sales increased 17.9% while comparable store sales increased 6.3%. Gross margin for the six months ended February 29, 1992 increased to 33.2% from 32.8% in the six months ended February 23, 1991. The improved gross margins are attributable to the gradual change in the Company's merchandise mix to include more higher-margin softlines merchandise. The increase in net income for the year-to-date period resulted from the increased sales and improved gross margins, lower interest costs, and a lower effective tax rate, offset in part by slightly higher advertising expenses. The year-to-date income before extraordinary item also reflects $2.2 million in preopening expenses in connection with opening the five Columbus stores in November 1991.

Financial Condition and Liquidity

Cash provided by operating activities decreased from $14.9 million in the 26 weeks ended February 23, 1991 to $2.0 million in the 26 weeks ended February 29, 1992. This decrease was due to preopening expenses and increases in working capital associated with the opening of new stores. The Company's working capital increased from $32.6 million at August 31, 1991 to $56.8 million at February 29, 1992 due mainly to the purchase of inventory for the five stores opened in November of 1991 and a store opened in March of 1992. The Company expects working capital levels to continue to grow as new stores are opened.

Capital expenditures for the first six months were $11.6 million, compared to $3.6 million for the same period a year ago. Approximately $8.3 million was associated with new stores and the remodel program.

The Company has a $93 million revolving credit facility. As of May 30, 1992, the Company had used $12.0 million of the line. Management considers these resources adequate to meet its planned capital expenditures and debt service requirements.

Seasonality

The Company's business is seasonal, reflecting increased consumer buying in the fall "Back to School" and Christmas season.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

(11) Computation of Per Share Earnings

b) Reports on Form 8-K

There were no reports on Form 8-K filed for the three months ended February 29, 1992

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Kohl's Corporation
(Registrant)

Date:

William Kellogg
Chairman
Chief Executive Officer

Date:

Jules Allen
Senior Vice President - Finance
Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number	Description of Exhibit
11	Computation of Per Share Earnings

Exhibit 11

KOHL'S CORPORATION
COMPUTATION OF PER SHARE EARNINGS
(In thousands except per share data)

	Quarter Ended 2/23/91	Quarter Ended 2/29/92	6 Mos. Ended 2/23/91	6 Mos. Ended 2/29/92
Unrestricted shares Outstanding	26,041	26,041	26,041	26,041
Net dilutive restricted shares outstanding - based on the treasury stock method	622	574	622	574
Total	26,663	26,615	26,663	26,615
Income before extraordinary item	$6,577	$8,574	$10,838	$15,358
Extraordinary item	0	0	0	1,329
Net income	$6,577	$8,574	$10,838	$16,687
Per share amounts:				
Income before extraordinary item	$.25	$.32	$.41	$.58
Extraordinary item	0	0	0	.05
Net income	$.25	$.32	$.41	$.63

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SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

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FORM 10Q

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For the Quarter Ended February 29, 1992
Commission File Number 0-5109

BEST COPY AVAILABLE

MICROPAC INDUSTRIES, INC.

Delaware (State of Incorporation)	75-1225149 (IRS Employer Identification No.)
905 E. Walnut, Garland, Texas (Address of Principal Executive Office)	75040 (Zip Code)
Registrant's Telephone Number, including Area Code	(214) 272-3571

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Capital Stock	3,627,151 Shares
Less Treasury Stock	None

Outstanding at February 29, 1992

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

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MICROPAC INDUSTRIES, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	2.29.92	3.02.91
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 39,352	$ 80,910
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	49,223	52,759
Changes in current assets and current liabilities		
Receivables	33,026	559,301
Inventories	(146,989)	55,384
Prepaid expenses and other current assets	5,884	11,535
Prepaid federal income taxes	- -	(68,374)
Accounts payable	(65,410)	(94,604)
Accrued payroll	19,906	7,959
Federal income taxes payable	25,312	--
Accrued liabilities	7,189	(87,449)
Net cash provided by (used in) operating activities	(32,507)	517,421
Cash flows from investing activities:		
Capital expenditures	(4,846)	(60,425)
Net cash used in investing activities	(4,846)	(60,425)
Cash flows from financing activities:		
Long-term debt repayment	(150,001)	(50,001)
Notes payable proceeds (borrowing)	100,000	(400,000)
Net cash used in financing activities	(50,001)	(450,001)
Net increase (decrease) in cash	(87,354)	6,995
Cash at beginning of period	214,706	121,167
Cash at end of period	$ 127,352	$ 128,162

See accompanying notes to financial statements.

These statements reflect all adjustments which, in the opinion of managment, are necessary for fair statement of the results for the interim period.

MICROPAC INDUSTRIES, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

1. CONDENSED FINANCIAL STATEMENTS

The condensed balance sheets as of February 29, 1992, and November 30, 1991, the condensed statements of operations for the three months ended February 29, 1992 and March 2, 1991, and the condensed statements of cash flows for the three months then ended have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operation and changes in cash flows as of February 29, 1992, and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report to shareholders or Form 10-K for the year ended November 30, 1991.

MICROPAC INDUSTRIES, INC.
BALANCE SHEETS
(Unaudited)

ASSETS

CURRENT ASSETS:	2/29/92	11/30/91
Cash	$ 127,352	$ 214,706
Receivables, net of allowance for doubtful accounts of approximately $158,000 in 1992 and $152,000 in 1991	1,647,341	1,680,367
Inventories:		
Raw materials and supplies	1,527,837	1,455,002
Work-in-process	1,085,949	1,011,795
Federal income taxes receivable	41,129	41,129
Deferred federal income taxes	27,225	27,225
Prepaid expenses and other current assets	73,384	79,268
Total current assets	4,530,217	4,509,492
PROPERTY, PLANT AND EQUIPMENT, at cost		
Land	80,000	80,000
Buildings	270,000	270,000
Machinery and equipment	3,467,159	3,463,909
Furniture and fixtures	205,700	204,104
Leasehold improvements	513,458	513,458
Accumulated depreciation	(3,615,953)	(3,566,730)
Net property, plant and equipment	920,364	964,741
TOTAL ASSETS	$ 5,450,581	$ 5,474,233

LIABILITIES & SHAREHOLDERS EQUITY

CURRENT LIABILITIES:		
Current portion of long-term debt	$ 200,000	$ 200,000
Notes payable to banks	500,000	400,000
Accounts payable	286,792	352,202
Accrued payroll	346,311	326,405
Accrued professional fees	126,370	119,088
Other accrued liabilities	98,960	99,053
Federal income taxes payable	25,312	--
Total current liabilities	1,583,745	1,496,748
LONG-TERM DEBT	231,711	381,712
DEFERRED FEDERAL INCOME TAXES	72,662	72,662
SHAREHOLDERS' EQUITY:		
Common Stock ($.10 par value) 10,000,000 shares authorized, 3,627,151 shares issued and outstanding	362,716	362,716
Paid-in capital	885,540	885,540
Retained earnings	2,314,207	2,274,855
Total shareholders' equity	3,562,463	3,523,111
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$ 5,450,581	$ 5,474,233

See accompanying notes to financial statements.

These statements reflect all adjustments which, in the opinion of management, are necessary for fair statement of the results for the interim period.

MICROPAC INDUSTRIES, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Statement of Operations As Of	
	2/29/92	3/02/91
Sales, Net of Returns & Allowances	$ 2,205,274	$ 2,556,160
Cost of Goods Sold	1,634,468	1,785,493
Gross Margin	570,806	770,667
Selling, General & Administrative Expenses	491,525	592,980
Interest Expense	14,617	49,259
Pre-Tax Income	64,664	128,428
Provision for Income Taxes	25,312	47,518
Net Income	$ 39,352	$ 80,910
Net Income per Share	$ 0.01	$ 0.02
Dividends per Share	$ -	$ -

See accompanying notes to financial statements.

These statements reflect all adjustments which, in the opinion of management, are necessary for fair statement of the results for the interim period.

MICROPAC INDUSTRIES, INC.
MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FIRST QUARTER 1992 VERSUS FIRST QUARTER 1991

1. Net sales for the first quarter totaled $2,205,274 compared to $2,556,160 for the same quarter in 1991. This decrease represents 13.7% of prior year first quarter net sales under the comparable periods. First quarter 1992 sales are comprised of 91.4% domestic sales and 8.6% foreign sales. Comparable figures for the first quarter 1991 are not available, although for the full year 1991, domestic sales comprised 87% of total sales while foreign sales were 13%. Military and commercial sales were 63% and 37% respectively for the first quarter of 1992 compared to 64% military and 36% commercial for the year ended November 30, 1991. Backlog decreased from approximately $4,235,000 in February 1991 to $3,666,000 in February 1992. In comparison backlog for year end 1991 was approximately $4,080,000. The decrease is attributed to additional cutbacks in military budgets and intensified competition for the remaining markets.

2. Cost of Goods Sold was $1,634,468 for the first quarter 1992 versus 1,785,493 for the same period in 1991 (a $151,025 decrease). This represents a 8.5% decrease in Cost of Goods Sold between the two periods compared to a 13.7% reduction in revenue. Cost of materials and overhead decreased $47,022 and $20,718 respectively during the first quarter. Materials and overhead should have decreased an additional $30,628 and $79,356 respectively to keep pace with the decreased revenues. Increased cost of raw materials from suppliers did not allow the material cost to reduce as rapidly as sales. Increased costs in employee health benefits and sales/marketing expenditures were the primary reasons that overhead decreased at a slower rate. Direct labor decreased from $339,939 to $277,043 or 18.5% in comparison for the same periods.

3. Selling, General and Administrative expenses totaled $491,525 for the first quarter 1992 versus $592,980 for the same period in 1991 representing a $101,455 decrease. The decrease in General and Administrative expenses from $417,269 to $367,445 is attributed largely to reductions in legal fees and travel expenses. Total selling expenses decreased from $175,711 to $124,080, (a $51,631 decrease). This reduction is due primarily to reduced outside sales commissions.

4. Interest expense for the first quarter 1992 totaled $14,617 versus $49,259 in 1991. This reduction was achieved through lowering both short-term and long-term bank debt in 1991 allowing less interest to be expensed in 1992. Total bank debt at the end of the first quarter 1992 was $931,711 compared to $1,516,664 for the same period 1991. February 1992 bank debt consists of $700,000 in short-term debt and $231,711 in long-term debt. The Company is in compliance with all bank covenants.

5. Pre-tax income for the first quarter 1992 was $64,664 compared to $128,428 in 1991. The decrease is mainly attributed to an increase in Cost of Goods Sold as a percentage of net sales from 69.9% through the first quarter 1991 to 74.1% for the same period in 1992. Decreasing sales combined with item #2 statements involving Cost of Goods Sold were the reason for the decrease in pre-tax income.

6. Total assets decreased approximately $24,000 from $5,474,233 fiscal year ended November 30, 1991 to $5,450,581 for the first quarter 1992. Increases in raw materials and work-in-process of approximately $147,000 were offset by decreases in cash, accounts receivable and property, plant and equipment of $87,000, $33,000 and $44,000 respectively. Total current liabilities increased by $87,000 and was offset by a decrease in long-term debt of approximately $150,000.

7. Shareholders' equity was $3,562,463 at first quarter 1992 compared to $3,523,111 for fiscal year ended November 30, 1991, representing a $39,352 increase in Stockholders' Equity for the first quarter 1992. Net earnings per share for the first quarter 1992 were $.01 compared to $.02 for the first quarter 1991.

ITEM 1. LEGAL PROCEEDINGS

The Company is not involved in any material current or pending legal proceedings, other than ordinary routine litigation incidental to its business.

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned duly authorized.

MICROPAC INDUSTRIES, INC.

4-9-92
Date

Nicholas Nadolsky
President/Chairman of the Board

4-9-92
Date

Dave Hendon
Controller

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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Form 10-Q

(Mark One)*

[X] Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended May 31, 1992

[ ] Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from __________ to __________

PROCESSED BY
10-10-V
JUL 1 1992

Commission file number . . 0-4235 . . . .

MOREHOUSE INDUSTRIES, INC.

(Exact name of registrant as specified in it

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California	95-1240570
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

L3Q

1600 West Commonwealth Avenue, Fullerton, California 92633

(Address of principal executive offices)
(Zip Code)

(714) 738-5000

(Registrant's telephone number, including area code)

NO CHANGE

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes . . . No. X . .

***Applicable only to issuers involved in bankruptcy proceedings during the preceding five years:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes . . . No. . . . NOT APPLICABLE

***Applicable only to corporate issuers:**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 3,890,981 at May 31, 1992

MOREHOUSE INDUSTRIES, INC.

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PART I - FINANCIAL INFORMATION

MOREHOUSE INDUSTRIES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

A S S E T S	May 31, 1992 (unaudited)	August 31, 1991
Current assets:		
Cash	$ 73,000	$ 804,000
Accounts receivable	1,035,000	375,000
Inventories (Note 2)	2,338,000	869,000
Prepaid expenses and other current assets	55,000	20,000
Total current assets	3,501,000	2,068,000
Property, plant and equipment	3,720,000	2,728,000
Less accumulated depreciation	(2,533,000)	(1,662,000)
Net property, plant and equipment	1,187,000	1,066,000
Other assets	302,000	-
	$ 4,990,000	$ 3,134,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 392,000	$ -
Accounts payable	304,000	207,000
Accrued liabilities	664,000	401,000
Current maturities of long-term debt	205,000	16,000
Total current liabilities	1,565,000	624,000
Long-term debt and deferred credits (Note 3)	612,000	99,000
Total liabilities	2,177,000	723,000
Stockholders' equity:		
Common stock, no par value; 10,000,000 shares authorized, 3,890,981 shares issued and outstanding (Note 4)	3,170,000	3,170,000
Retained earnings (deficit)	(357,000)	(759,000)
Total stockholders' equity	2,813,000	2,411,000
	$ 4,990,000	$ 3,134,000

See accompanying notes

MOREHOUSE INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended		Nine months ended	
	May 31, 1992	May 31, 1991	May 31, 1992	May 31, 1991
Net sales	$1,959,000	$ 783,000	$5,178,000	$2,674,000
Costs and expenses:				
Cost of sales	1,150,000	447,000	2,994,000	1,706,000
Selling and administrative	543,000	281,000	1,502,000	854,000
Interest expense	31,000	4,000	82,000	6,000
Other expense (income) (Note 5)	24,000	(12,000)	114,000	(36,000)
Total costs and expenses	1,748,000	718,000	4,692,000	2,530,000
Income before provision for taxes based on income	211,000	65,000	486,000	144,000
Provision for taxes based on income (Note 6)	84,000	26,000	194,000	58,000
Income before extraordinary item	$ 127,000	$ 39,000	$ 292,000	$ 86,000
Extraordinary item, tax benefit of net opera-ing loss carryforward (Note 6)	51,000	20,000	110,000	52,000
Net Income	$ 178,000	$ 59,000	$ 402,000	$ 138,000
Net Income per common share before extraordinary item	$ 0.04	$ 0.01	$ 0.07	$ 0.02
Extraordinary item	0.01	-	0.03	0.01
Net Income per Common Share	$ 0.05	$ 0.01	$ 0.10	$ 0.03
Weighted average shares outstanding	3,890,981	3,890,981	3,890,981	3,890,981

See accompanying notes.

MOREHOUSE INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine months ended	
	May 31, 1992	May 31, 1991
Cash flows provided (used) by operating activities:		
Net income	$ 402,000	$138,000
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	109,000	86,000
Gain on disposition of assets		
Provision of doubtful accounts	16,000	
Provision for inventory reserves	64,000	
(Increase) decrease in assets		
Certificate of Deposit	-	100,000
Accounts receivable	(676,000)	(92,000)
Inventory	(1,533,000)	(37,000)
Prepaid expenses	(35,000)	11,000
Increase (decrease) in liabilities		
Accounts payable	97,000	(42,000)
Accrued liabilities	263,000	(53,000)
Total adjustments	(1,695,000)	157,000
Net cash provided (used) by operating activities:	(1,293,000)	295,000
Investing activities:		
Capital expenditures		
Property, plant & equipment	(169,000)	(54,000)
Other assets	(307,000)	-
Net cash (used) by investing act.	(476,000)	(54,000)
Financing activities:		
Proceeds from line of credit advances	1,142,000	---
Proceeds from long term contract payable	654,000	31,000
Payment on line of credit	(750,000)	---
Principal payments under capitalized lease	(8,000)	(7,000)
Net cash provided by financing act.	1,038,000	24,000
Net increase (decrease) in cash	(731,000)	265,000
Cash at beginning of period	804,000	439,000
Cash at end of period	$ 73,000	$704,000

See accompanying notes

MOREHOUSE INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

May 31, 1992

1. Basis of presentation

The accompanying consolidated financial statements, some of which are unaudited, have been condensed in certain respects and should, therefore, be read in conjunction with the financial statements and notes related thereto contained in the Company's annual report to shareholders for the year ended August 31, 1991. In the opinion of the Company, the accompanying unaudited financial statements contain all adjustments (consisting of normally recurring accruals) necessary for a fair presentation for the interim period. The results of operations for the three months and nine months ended May 31, 1992 are not necessarily indicative of the results to be expected for the full year.

2. Inventories

Inventories at May 31, 1992 and August 31, 1991 were as follows:

	May 31, 1992 (unaudited)	Aug. 31, 1991
Materials and parts	$ 770,000	$ 672,000
Work in process	518,000	123,000
Finished goods	1,050,000	74,000
	$2,338,000	$ 869,000

3. Long-term debt and deferred credits

The Company's long-term obligations consist of a bank note at prime plus 2% interest, notes due to the sellers of GST Industries, Inc., at 10% interest, and capitalized equipment leases at from 10.5% to 14% interest. The principal amounts payable are as follow:

Years Ended August 31	Bank Note	Seller Notes	Capitalized Leases
1992	$ 50,000	-	$20,000
1993	200,000	-	20,000
1994	200,000	$200,000	12,000
1995	50,000	-	8,000
1996	-	-	5,000
	$500,000	$200,000	$65,000

4. Stock options

The Company has stock option plans which provide that options for up to 700,000 shares of the Company's common stock may be granted to key employees, directors and consultants of the Company as selected by a committee of the Company's Board of Directors. At May 31, 1992 there were 249,000 options outstanding, of which 120,125 were exercisable. The price at which the options may be exercised varies from $0.375 to $1.125, as determined by the market price of the Company's common stock on the date of grant. During the three months ended May 31, 1992, options on 70,000 shares were granted and 1,250 options became exercisable. No options have been exercised under either the 1984 or the 1991 Plan.

5. Other expense (income)

For the three months and nine months ended May 31, 1991, the "other income" was substantially comprised of interest income on excess cash held by the Company. For the three months and nine months ended May 31, 1992, the "other expense" was substantially comprised of interest expense on debt incurred to facilitate the acquisition of GST Industries, Inc. on November 1, 1991.

6. Provision for taxes based on income

The Company recorded, prior to fiscal 1992, all income tax benefits available to it as a result of net operating losses. At May 31, 1992, the Company had a net operating loss carry forward of approximately $1,800,000 for financial statement purposes and approximately $1,600,000 for federal income tax purposes. The ultimate realization of the benefits of the loss carry forward depends upon future profitable operations. The Company will have a current obligation for California state income tax and Federal Alternative Minimum Tax for which adequate accruals are being made, in the opinion of management.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

During the first nine months of fiscal year 1992, ended May 31, 1992, working capital increased by $492,000, or 34% to $1,936,000. Cash decreased by $731,000, or 91%, while accounts receivable increased by $660,000 or 176%. The cash balance was decreased to facilitate the acquisition of GST Industries, Inc., and to minimize borrowings and reduce interest expense. Inventory increased by $1,469,000 or 169%, to $2,238,000 as the result of the acquisition of GST Industries, Inc. Inventory levels at May 31, 1992 were consistent with levels historically maintained by the Company. The Company had a bank operating line of credit of which $1,238,000 was unutilized at May 31, 1992. In addition to the line of credit, the Company has 10,000,000 authorized shares of common stock of which 3,890,981 were issued at May 31, 1992. While the Company has no plans to issue stock, this could be a source of additional cash in the future.

Results of Operations

Sales for the third fiscal quarter, ended May 31, 1992, were 150% greater than for the comparable prior year period. Sales for the nine months of fiscal year 1992 were $5,178,000, 94% greater than for the comparable prior year period. Backlog was $5,406,000, vs. $720,000 a year earlier. Net profit for the third quarter was $178,000, versus $59,000 in the comparable prior year period. Net profit for the first nine months of fiscal year 1992 was $402,000 versus $138,000 in the comparable prior year period.

Increases in sales, earnings and backlog are primarily attributable to the acquisition of GST Industries, Inc. on November 1, 1991. The continuing operations of Morehouse-COWLES, Inc. alone resulted in a 7% decrease in sales and a 50% increase in profit for the nine months ended May 31, 1992 versus the six months ended May 31, 1991. This increase was due to a favorable mix of sales and increased margins which resulted from improved manufacturing costs. Most of the backlog at May 31, 1992 was not scheduled to ship in the current fiscal year. Neither the backlog nor the operations of the first nine months are necessarily indicative of the result to be expected in the future.

PART II - OTHER INFORMATION

Item 1. Legal proceedings

At May 31, 1992, the Company was a defendant in three (3) product liability lawsuits and three workmen's compensation disability claims.

Two lawsuits, Perales v. Morehouse Industries and Kaulfers v. Morehouse Industries, were more fully described in the most recent 10K and there have been no changes in the status of these suits.

During the second fiscal quarter, on January 27, 1992, Morehouse Industries, Inc. was served with a product liability lawsuit, Miles v. Louis Allis Corp., et al, filed in the Superior Court of New Jersey, Passaic County, which claims injury due to product design negligence. The suit contains insufficient information to determine whether the Company should even be involved. The Company has insurance and the insurer is in the process of gathering additional information to formulate a response.

The Company has received three workmen's compensation disability claims, one for stress and two for bad backs. Management believes all are without merit and is urging its insurance carriers to vigorously investigate and defend against these claims.

Item 2. Change in Securities

None

Item 3. Default upon Senior Securities

None

Item 4. Submission of matters to a vote of security holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

On May 12, 1992, the Company filed Amendment No. 3 to Form 8-K filed November 12, 1991, providing additional information omitted from the original filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MOREHOUSE INDUSTRIES, INC.
(Registrant)

Date: June 23, 1992

James R. Swartwout
Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

BEST COPY AVAILABLE

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1992

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 0-18253

NDC Automation, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

56-1460497
(I.R.S. Employer Identification No.)

3101 Latrobe Drive, Charlotte, North Carolina
(Address of principal executive offices)

28211
(Zip Code)

(704) 362-1115
(Registrant's telephone number, including area code)

N/A
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

As of July 13, 1992, there were 1,566,250 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NDC AUTOMATION, INC.
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	May 31, 1992	November 30, 1991
	(Unaudited)	
ASSETS (Note 6)		
CURRENT ASSETS		
Cash and cash equivalents	$ 252,031	$ 171,492
Accounts receivable, net	2,629,169	2,292,883
License fee receivables, current maturities	109,112	111,928
Inventories	1,300,899	1,224,601
Income tax receivable	-	81,572
Costs and estimated earnings in excess of billings on uncompleted contracts	623,779	271,136
Prepaid expenses and other assets	16,783	27,978
Total current assets	$ 4,931,773	$ 4,181,590
LONG-TERM RECEIVABLES		
License fee receivables, less current maturities	$ 38,299	$ 36,159
Loan receivable - officer	26,063	21,647
	$ 64,362	$ 57,806
PROPERTY AND EQUIPMENT		
Land	$ 300,000	$ 300,000
Building and improvements	1,102,177	1,095,445
Furniture, fixtures and office equipment, including assets acquired under capital leases 1992 $54,333; 1991 $129,527	459,535	496,423
Machinery and equipment, including assets acquired under capital leases 1992 $13,072; 1991 $13,072	296,491	288,703
Software	512,143	340,480
Vehicles, including assets acquired under capital leases 1992 $45,955; 1991 $45,955	52,585	52,585
	$ 2,722,931	$ 2,573,636
Less accumulated depreciation, including amounts applicable to assets acquired under capital leases 1992 $50,150; 1991 $30,707	671,456	585,431
	$ 2,051,475	$ 1,988,205
INTANGIBLE ASSETS (Note 3)	$ 247,929	$ 302,590
	$ 7,295,539	$ 6,530,191

Note: The Balance Sheet at November 30, 1991 has been taken from the Audited Consolidated Financial Statements at that date.

See Notes to Consolidated Financial Statements.

	May 31, 1992	November 30, 1991
	(Unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable, bank (Note 6)	$ 2,356,916	$ 2,013,761
Current maturities of long-term debt (Note 6)	346,893	492,966
Accounts payable and accrued expenses; including affiliates 1992 $721,746; 1991 $150,857	1,055,919	687,559
Billings in excess of costs and estimated earnings on uncompleted contracts	200,200	166,686
Income taxes payable	30,074	-
Total current liabilities	$ 3,990,002	$ 3,360,972
LONG-TERM DEBT (Note 6)	$ 1,383,643	$ 1,384,059
DEFERRED INCOME TAXES	$ 44,501	$ 38,389
COMMITMENTS AND CONTINGENCIES (Note 7)		
STOCKHOLDERS' EQUITY (Notes 5, 8, and 11)		
Preferred stock, par value $.01 per share; authorized 1,000,000 shares; no shares issued	$ -	$ -
Common stock, par value $.01 per share; authorized 10,000,000 shares; 1,590,000 shares issued and outstanding	63,600	63,600
Additional paid-in capital	1,998,319	1,998,319
Additional paid-in capital from reissuance of treasury stock	395	395
Warrants to purchase common stock	100	100
Accumulated (deficit)	(137,045)	(267,667)
	$ 1,925,369	$ 1,794,747
Less cost of treasury stock 1992 23,750 shares; 1991 23,750 shares	47,976	47,976
	$ 1,877,393	$ 1,746,771
	$ 7,295,539	$ 6,530,191

NDC AUTOMATION, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Six Months Ended May 31, 1992
(Unaudited)

	Balance November 30, 1991	Net Additions (Repurchase)	4:1 Reverse Stock Split	Net Income	Balance May 31, 1992
SHARES (Notes 5, 8, and 11)					
Common Stock					
Shares Issued	6,360,000	-	(4,770,000)	-	1,590,000
Treasury Stock					
Shares Acquired	(99,000)	-	74,250	-	(24,750)
Shares Reissued	4,000	-	(3,000)	-	1,000
	6,265,000	-	(4,698,750)	-	1,566,250
AMOUNTS					
Common Stock	$ 63,600	-	-	-	$ 63,600
Additional Paid-in Capital	$ 1,998,319	-	-	-	$ 1,998,319
Additional Paid-in Capital from Reissuance of Treasury Stock	395	-	-	-	395
Warrants to Purchase Common Stock	100	-	-	-	100
Accumulated (Deficit)	$ (267,667)	-	-	$ 130,622	$ (137,045)
Treasury Stock	(47,976)	-	-	-	$ (47,976)
	$ 1,746,771	$ -	-	$ 130,622	$ 1,877,393

See Notes to Consolidated Financial Statements.

NDC AUTOMATION, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended May 31, 1992	Three Months Ended May 31, 1991	Six Months Ended May 31, 1992	Six Months Ended May 31, 1991
Net revenues	$ 2,325,158	$ 2,520,762	$ 4,179,000	$ 4,792,456
Cost of goods sold	1,255,125	1,599,412	2,290,464	3,026,896
Gross profit	$ 1,070,033	$ 921,350	$ 1,888,536	$ 1,765,560
Operating expenses:				
Selling	$ 193,133	$ 171,229	$ 338,493	$ 384,902
General and administrative	629,225	524,606	1,145,163	1,017,166
Research and development	21,183	40,705	56,449	71,957
	$ 843,541	$ 736,540	$ 1,540,105	$ 1,474,025
Operating income	$ 226,492	$ 184,810	$ 348,431	$ 291,535
Net interest income (expense):				
Interest income	$ 6,278	$ 12,128	$ 12,408	$ 20,587
Interest expense	(85,963)	(70,978)	(171,662)	(148,970)
	$ (79,685)	$ (58,850)	$ (159,254)	$ (128,383)
Income before income taxes	$ 146,807	$ 125,960	$ 189,177	$ 163,152
Federal and state income taxes (Note 2)	$ 42,893	$ 48,238	$ 58,555	$ 65,926
Net income	$ 103,914	$ 77,722	$ 130,622	$ 97,226
Weighted average number of common shares outstanding	1,566,250	1,567,915	1,566,250	1,575,012
Earnings per common share (Note 4)	$ .06	$ .05	$ .08	$ .06
Dividends per share	$ .00	$ .00	$ .00	$ .00

See Notes to Consolidated Financial Statements.

NDC AUTOMATION, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	May 31, 1992	May 31, 1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 130,622	$ 97,226
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	131,142	86,248
Amortization	54,661	32,951
Amortization of unearned discount	(6,824)	(8,458)
Increase (decrease) in provision for doubtful accounts	33,000	(5,000)
Gain on sale of property and equipment	(3,762)	-
Foreign currency exchange rate loss (gain)	(54,751)	32,236
Change in assets and liabilities:		
(Increase) in accounts receivable	(369,286)	(382,373)
Decrease in license fee receivables	7,500	20,001
(Increase) in inventories	(76,298)	(106,622)
(Increase) in costs and estimated earnings in excess of billings on uncompleted contracts	(352,643)	(191,870)
Decrease in prepaid expenses and other assets	11,195	10,224
Increase in long-term receivables	(4,416)	-
Increase in accounts payable and accrued expenses	368,360	688,374
Increase in billings in excess of costs and estimated earnings on uncompleted contracts	33,514	17,701
Increase (decrease) in taxes on income	30,074	(87,945)
Increase (decrease) in deferred income taxes	6,112	(1,612)
Decrease in income tax receivable	81,572	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 19,772	$ 201,081
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	$ 33,840	$ -
Purchase of property and equipment	(224,490)	(125,896)
NET CASH (USED IN) INVESTING ACTIVITIES	$ (190,650)	$ (125,896)

See Notes to Consolidated Financial Statements.

	1992	1991
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (payments) on revolving credit agreements	$ 343,155	$ (54,172)
Principal payments on long-term borrowings, including capital lease obligations	(146,489)	(139,430)
Payments to acquire treasury stock	-	(44,018)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	$ 196,666	$ (237,620)
Effect of foreign currency exchange rate changes on cash and cash equivalents	$ 54,751	$ (32,236)
Increase in cash and cash equivalents	$ 80,539	$ (194,671)
Cash and cash equivalents		
Beginning	171,492	282,261
Ending	$ 252,031	$ 87,590
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	$ 170,534	$ 144,562
Income taxes (recovery)	$ (44,334)	$ 140,083
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Capital lease obligations incurred for use of equipment	$ -	$ 23,072

NDC AUTOMATION, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1.

The unaudited internal consolidated financial statements and related notes have been prepared by NDC Automation, Inc. (the "Company"), without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the consolidated financial position, results of operations and changes in cash flows at May 31, 1992, and for all periods presented, have been made.

The consolidated financial statements at May 31, 1992 include the accounts of the Company and its wholly-owned subsidiary, Southeastern Software Developers, Inc. All material inter-company balances and transactions have been eliminated in consolidation.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these consolidated financial statements be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the fiscal year ended November 30, 1991. The results of operations for the period ended May 31, 1992 are not necessarily indicative of the operating results for the full year.

Note 2. Income Taxes

The reported tax rate for the three and six months ended May 31, 1992 and 1991 was 34.5% and 38.62%, respectively, which is presently the Company's current estimate of the effective tax rate for the entire year. The Company files its income tax returns with its subsidiary on a consolidated basis.

The Financial Accounting Standards Board issued Financial Accounting Standard 109, "Accounting for Income Taxes." Application of the standard, which was amended to be effective for fiscal years beginning after December 15, 1992, but may be adopted before then, will require a change from the deferred method to the asset and liability method of accounting for income taxes. The Company has determined not to adopt Statement 109 for this fiscal year and, consequently, has not determined the impact, if any, on the Company's consolidated financial statements.

Note 3. Intangible Assets

On July 13, 1990, the Company entered into an agreement with Statec Technologies S.A. ("Statec") in which it received a ten (10) year exclusive distribution agreement for North America, Australia, New Zealand, and South Africa. In exchange for this distribution agreement, the Company transferred its 19% equity interest in Statec to Valtronic, S.A., which now owns 100% of Statec. As a part of the agreement, the Company's potential liability under standby letters of credit in favor of Statec was terminated.

A breach of the agreement by the Company could result in the loss of this exclusivity, thereby reducing the value of the asset; or termination of the contract, rendering the unamortized portion of the asset worthless. Furthermore, if the restructuring of Statec becomes questionable, the value of the asset would be significantly reduced, unless the Company exercised its manufacturing option.

Due to a significant decline in RFID product sales during the year ended November 30, 1991 and revised projected future sales of RFID products over the remaining term of the agreement, the Company wrote down the Statec distribution agreement to its net realizable value. This resulted in a $205,683 charge to net income during the year ended November 30, 1991.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company has certain other intangible patents, marketing, and manufacturing rights that have been acquired from Statec. Intangible assets at May 31, 1992 and November 30, 1991, respectively, consisted of the following:

	1992	1991
Marketing rights	$ 38,212	$ 38,212
Manufacturing rights	72,247	72,247
Patents	25,000	25,000
Distribution agreement (Statec Technologies, S.A.)	523,560	523,560
	$ 659,019	$ 659,019
Less accumulated amortization	411,090	356,429
	$ 247,929	$ 302,590

Note 4. Earnings Per Common Share

Earnings per common share are computed by dividing net earnings applicable to common shareholders by the weighted average common shares outstanding. Warrants to purchase common stock, which are normally considered common stock equivalents, have been excluded from the calculation because the effect on earnings per share would be anti-dilutive. Additionally, options issued pursuant to the Stock Option Plan have been excluded, as their inclusion does not dilute the computation beyond the 3% materiality test.

Note 5. Stock Option Plan and Other Agreements

On October 10, 1990, the Compensation Committee of the Board of Directors adopted the NDC Automation, Inc. 1990 Stock Option Plan ("the Plan"), the adoption of which was ratified by the shareholders at the annual meeting held on April 10, 1991. The Plan provides for the issuance of up to 108,600 shares of the Company's common stock.

Options to purchase one hundred six thousand five hundred (106,500) shares of common stock were granted pursuant to the Plan and are available for exercise upon achievement by the Company of certain financial performance targets set by the Board of Directors. The options will be exercisable for a term of ten years, commencing on the date of the grant. The first milestone for the Plan was verified during the first quarter of 1992. Options to purchase twenty-seven thousand four hundred ninety-nine (27,499) shares of common stock are exercisable at the option price of $1.1875 since approval by the Board of Directors was obtained in April 1992.

The compensation committee has granted options to purchase eighty-two thousand five hundred (82,500) shares of common stock to the Company's executive officers at an exercise price of $1.1875. The exercise price of the options granted is based on the fair market value of the common stock for the five business days preceding the date of the grant.

On June 28, 1991 and July 15, 1991, Stock Option Agreements with employees of SSDI were signed for an additional 2,500 and 7,500 shares, respectively. Such options were not originally granted under the Plan.

Note 6. Notes Payable, Bank and Long-Term Debt

The Company has the following notes payable with a bank at May 31, 1992:

Line of credit for $2,600,000 with interest at prime plus 1/2%. Advances under the line of credit will not exceed the lesser of the sum of 80% of the Company's current accounts receivables, plus 60% of the book value of its current inventory, plus 50% of its costs and estimated earnings in excess of billings on uncompleted contracts to a maximum of $250,000 of additional borrowings, or $2,600,000. The line of credit expires on March 31, 1993(1).	$ 2,356,916

Long-term debt consists of the following at May 31, 1992:

Note payable to bank, with interest payable monthly at prime plus 1%, principal balance to be repaid in twenty (20) consecutive quarterly installments of $38,487, with the final installment to be paid on November 30, 1994, guaranteed in the amount of $300,000 by Nordbanken (Gothenburg, Sweden) on behalf of NDC, Netzler et Dahlgren Company AB(1).		$ 423,357
Note payable to bank, with interest payable monthly at prime plus 1/2%. Principal balance to be repaid in sixteen (16) consecutive quarterly installments of $12,500, with the final installment to be paid on March 31, 1996(1).		200,000
Mortgage note payable, due in quarterly payments of $24,188, plus interest at 11%, with one final payment of $456,688 due May 31, 1998(1).		1,013,000
		1,636,357
Obligations under capital leases		94,179
		1,730,536
Less current maturities:		
Notes and mortgage	$ 300,698	
Obligations under capital leases	46,195	346,893
		$ 1,383,643

(1) The above loans are held by the same bank and are cross-collateralized by all of the Company's assets; however, the guarantee of $300,000 can be applied only to the note payable to which it is specifically attached. In addition, a default on any one loan may put all remaining loans in default. The prime rate at May 31, 1992 was 6.5%.

Note 6. Notes Payable, Bank and Long-Term Debt (Continued)

The Company leases various office equipment and automobiles under non-cancelable lease agreements expiring on various dates through 1995. Capital lease obligations are secured by related equipment, payable in monthly installments aggregating $4,547 to $262 over the next 36 months, with interest rates ranging from 11.3% to 14.10%.

At May 31, 1992, the office equipment and automobiles recorded under capitalized leases had a book value of $63,210.

Maturities of long-term debt at May 31, 1991 are as follows:

Year Ending May	Minimum Future Lease Payments Under Capital Leases	Amount Repre-senting Interest	Present Value of Net Minimum Lease Payments	Maturities of Long-term Debt	Total
1993	$ 55,564	$ 9,369	$ 46,195	$ 300,698	$ 346,893
1994	41,671	3,578	38,093	300,698	338,791
1995	9,779	642	9,137	262,211	271,348
1996	762	8	754	146,750	147,504
1997	-	-	-	96,750	96,750
Thereafter	-	-	-	529,250	529,250
	$ 107,776	$ 13,597	$ 94,179	$ 1,636,357	$ 1,730,536

Note 7. Litigation

On April 30, 1992 the Company entered into a Settlement Agreement and Mutual Release("Settlement") with Kress Corporation "(Kress") pursuant to which the Company and Kress have dismissed with prejudice all claims made against the other in the action for declatory judgement filed by the Company in the North Carolina General Courts of Justice Superior Court Division, Mecklenburg County. Pursuant to the terms of the Settlement, NDC has paid to Kress the sum of $51,500, which was made without any admission of wrongdoing by the Company. Both parties have granted releases to the other for all claims arising out of matters which occurred at any time prior to the date of the Settlement.

Note 8. Treasury Stock

The Board of Directors has authorized the repurchase, through open market transactions, of up to 69,000 shares, after adjusting for the reverse stock split, of the Company's outstanding common stock. This amount represents 10% of the Company's stock in public hands and 4.3% of the Company's issued and outstanding stock. Management was given discretion to determine the number and price of shares to be repurchased.

The Company may repurchase its shares in the over-the-counter market, from time to time, at prices prevailing. Purchasing activities may be discontinued and resumed at any time, as market conditions warrant.

All shares of treasury stock are carried on the balance sheet at cost and shares which have been reissued are removed, using the weighted average cost method. At May 31, 1992, the Company held in treasury 23,750 shares, which cost totaled $47,976.

Note 9. Acquisition of Wholly-Owned Subsidiary

On June 28, 1991, the Company acquired for cash and stock all of the outstanding shares of Southeastern Software Developers, Inc., a data processing company specializing in plant floor data acquisition and monitoring systems for the IBM AS/400 platform. The purchase price of the outstanding stock equaled $8,375 and was paid in $7,500 cash and 250 reissued treasury shares at fair market value of $3.50, for a total value of the shares of $875.

The acquisition has been accounted for as a purchase, and results of operations of SSDI, since date of acquisition, are included in the consolidated financial statements.

In conjunction with the acquisition, liabilities were assumed as follows:

Fair value of assets acquired	$ 174,723
Cash and treasury stock paid for capital stock	(8,375)
Liabilities assumed	$ 166,348

The liabilities being assumed will be paid by NDC Automation, Inc. through available cash and funds from the existing lines of credit.

Unaudited pro forma consolidated financial operations for the period ended May 31, 1992 and May 31, 1991, as though SSDI had been acquired as of December 1, 1991, have been omitted due to the immaterial nature of SSDI's financial operations in relation to the Company's operations taken as a whole.

Note 10. Reclassification

Certain amounts in the Consolidated Financial Statements for 1991 have been reclassified to conform with classifications used in the May 31, 1992 Consolidated Financial Statements. These reclassifications had no effect on 1991 net income or accumulated deficit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Reverse Stock Split

On February 12, 1992, the Board of Directors authorized and approved a four-to-one reverse stock split on all Company common stock, warrants, and stock options. The split was effective February 28, 1992.

All references in the financial statements to average number of shares outstanding and related prices per share amounts, stock option, and treasury share data have been restated to reflect the split.

Note 12. Subsequent Event

On July 1, 1992, the Company acquired 100% of the oustanding stock of NDC Technology Australia Pty. Ltd. for total consideration of treasury stock and cash of $103,000. (See Exhibit F of this filing.) The company's estimated net worth (deficit) was approximately (US$150,000) at the date of acquisition. Presently, management believes that with the present backlog in Australia and possible government grants to be received within the next five months, the company should be brought back into a positive equity position. The parent Company will finance any shortfall until such time.

Item 2. Management's Discussion and Analysis of Financial Condition and Operating Results

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATING RESULTS

RESULTS OF OPERATIONS

Table 1 below sets forth (a) the percentage relationship of income and expenses relative to net revenues, and (b) the percentage of change between the comparable prior period and current period. This Table must be reviewed in conjunction with the Company's Consolidated Statements of Income presented in Part I, Item 1, Page 6 of this filing.

Table 1

	Percentage of Net Revenue				Percentage of Change Period to Period Increase (Decrease)	
	Three Months Ended		Six Months Ended		Three Months Ended May 31, 1991 to 1992	Six Months Ended May 31, 1991 to 1992
	May 31, 1992	May 31, 1991	May 31, 1992	May 31, 1991		
	%		%		%	
Net revenues	100.0	100.0	100.0	100.0	(7.8)	(12.8)
Cost of goods sold	54.0	63.5	54.8	63.2	(21.5)	(24.3)
Gross profit	46.0	36.5	45.2	36.8	16.1	7.0
Operating expenses:						
Selling	8.3	6.8	8.1	8.0	12.8	(12.0)
General and administrative	27.0	20.8	27.4	21.2	19.9	12.6
Research and development	.9	1.6	1.4	1.5	(48.0)	(21.5)
	36.2	29.2	36.9	30.7	14.5	4.5
Operating income	9.8	7.3	8.3	6.1	22.6	19.5
Net interest expense	3.5	2.3	3.8	2.7	35.4	24.1
Income before income taxes	6.3	5.0	4.5	3.4	16.6	16.0
Income taxes	1.9	1.9	1.4	1.4	(11.1)	(11.2)
Net income	4.4	3.1	3.1	2.0	33.7	34.3

Quarter Ended May 31, 1992 Compared to the Quarter Ended May 31, 1991

Net Revenues. Net revenues for 1992 decreased 7.8% from $2,520,762 in 1991 to $2,325,158. The decrease was the result of a lower opening backlog compared to the prior year. Such fluctuations in quarterly net revenues are considered normal due to projects and large shipments on major orders. The present backlog positions the Company well to improve net revenues for the coming year compared to the prior year ending November 30, 1991.

The level of RFID product revenues represented 5.5% of total revenues and is presently expected to remain poor due to current economic and market conditions.

NDC received an order during the second quarter for a value in excess of $2 million (see Exhibit A to this filing). The Company is presently quoting other projects, of equal or greater value. Should such projects materialize, they could represent significant growth opportunities.

The Company will also be expanding its current markets with the acquisition of NDC Technology Australia Pty. Ltd. as of July 1, 1992. The acquisition is presently expected to increase net revenues for the current fiscal year by approximately $175,000. (See Exhibit E attached to this filing.)

Cost of Goods Sold, Gross Profit. Margin fluctuations vary widely from quarter to quarter during a fiscal year. Such fluctuations can be expected to continue due to the following conditions:

a) Lower margins on the sale of third party products in Company project sales; and
b) A varying mix of products and services in existing project sales and possible future project sales.

The current period gross profit margin percentage, however, increased 9.5% to 46.0% from 36.5% in 1991. The large increase was primarily due to fewer third party product sales compared to the prior year. The current gross profit increased $148,683 from $921,350 in 1991 to $1,070,033. The increase occurred despite lower net revenues compared to the prior year.

Operating Expenses, Operating Income. During the current quarter, operating expenses increased 14.5%, or $107,001, compared to the quarter ended 1991. The overall increase in operating expenses occurred primarily due to an increase in general and administrative expenses. General and administrative expenses increased compared to the prior year due to settlement charges from the Kress litigation and higher depreciation charges of fixed assets. In 1992, the Company attended a major trade show, which accounted for an increase of selling expenses during that period compared to 1991. The trade show was used to introduce the new Laser technology to our existing customer base as well as potential new customers. Research and development activity remained quite steady in the second quarter as product development of new software continued. These expenses were capitalized in the current quarter, thus showing a smaller expense than in the previous year. During the second quarter of 1992, $35,000 of software was capitalized for SSDI development compared to none for the prior year.

Operating income increased 22.6%, or $41,682, compared to the same period last year, and increased as a percentage of net revenue to 9.8% compared to 7.3% in 1991. The Company was able to accomplish this increase as a result of higher profit margins, (see discussion on cost of goods sold, gross profit above) despite lower net revenues and a short-term increase in legal expenses as described above.

Interest, Income Taxes, Net Income. The 35.4%, or $20,835, increase in net interest expense is primarily the result of current Working Capital Facility ("WCF") borrowings being significantly higher compared to the same quarter in the prior year. Lower interest rates and lower long-term debt in the current quarter helped offset the increase. Net interest is expected to remain at the current level at least through the next quarter due to anticipated cash flows.

Income before income taxes increased as a percentage of net revenue and in real dollars increased 16.6% during the current quarter compared to the same quarter in 1991. The Company's subsidiary, SSDI, posted a loss of approximately $10,000 for the second quarter, which reduced the consolidated increase. The subsidiary is expected to have a negative impact on the consolidated income at least through the next quarter due to a low backlog.

The Company's income tax rate estimate was lowered to 34.5% from 38.62% in 1991 due to lower actual state income taxes experienced in the prior year. The change in estimate resulted in decrease of the tax provision compared to 1991, even though income increased.

Net income increased 33.7% compared to 1991. The increase in real dollars was encouraging due to the fact that the income was attainable even with lower net revenues.

Backlog. As of May 31, 1992, backlog increased 27.4% to $3,580,743 from $2,810,440 at February 28, 1992. The backlog also increased $1,068,053 from $2,512,690 in the comparable prior period ended May 31, 1991. Backlog can vary significantly due to large project orders and percentage of completion. Management has not seen any softening of interest or quoting activity for the Company as a whole compared to the prior year; however, due to the economic times, customers are more cautious and lead times can be lengthened. The present backlog positions the Company well to improve net revenues for the coming year compared to the prior year ending November 30, 1991.

Six Months Ended May 31, 1992 Compared to the Six Months Ended May 31, 1991

Net Revenues. Decrease in net revenues occurred for the same reasons as described above on net revenues for the three month comparables.

Cost of Goods Sold, Gross Profit. Increases in gross profit occurred for the same reasons as described above on cost of goods sold and gross profit for the three month comparables.

Operating Expenses, Operating Income. Increase in operating expenses and operating income occurred for the same reasons as described above for operating expenses and operating income for three month comparables.

Additionally, selling expenses during the six month period decreased as a result of a reduced sales staff for the RFID division to respond to present economic conditions.

Interest, Income Taxes, Net Income. Increase (decreases) in interest, income taxes, and net income occurred for the same reasons as described above on interest, income taxes, net income for the three months comparable.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity. During the period ending May 31, 1992, the Company made full and timely payments to its creditors and presently has sufficient funds available to meet its current obligations through this fiscal period ending November 30, 1992.

The Company's liquidity position is a function of cash on hand and credit available through an existing WCF provided under agreement with Nordbanken International (US) Banking Corporation (the "Bank"). (See Note 6 to the Consolidated Financial Statements.) Under existing borrowing formulas, the total credit available to the Company under its WCF on May 31, 1992 was $2,600,000.

With the usage of $2,356,916, the Company had $243,084 available under the WCF, in addition to the Company's cash position of $252,031, or a total of $495,115, as of May 31, 1992. The Company's available liquidity position declined $229,264 from $724,379 available November 30, 1991. The decline represents a short-term effect of having current assets greater than the borrowing formulae will allow due to the cap at $2,600,000. Such a decline should begin to reverse itself as receivables are collected in the third quarter.

The Company signed firm agreements with the bank to renew the WCF for an additional year and an offer to renew the $200,000 loan due March 31, 1992 for a four-year term, repayable in quarterly installments of $12,500. The Company obtained an additional borrowing formula for the WCF to include 50% of "costs and estimated earnings on uncompleted contracts" to a maximum of $250,000 in advances. This will allow the Company to finance work in progress on projects not yet billed, which it was not available in the past.

This additional financing is very important to the Company due to the fact that more than 50% of the Company's business is project related. The overall liquidity position may increase, due to the new formula, up to a maximum of $250,000 in advances. The $2.6 million limitation will still apply.

The Company's statement of cash flows shows that net cash provided by operating activities declined from $201,081 in 1991 to $19,772 in 1992. Such fluctuations in cash are considered normal. The decrease is primarily due to a larger increase in "costs and estimated earnings in excess of billings on uncompleted contracts" in 1992 compared to a smaller increase in 1991. The Company was not able to offset this decline with a decrease in accounts receivables because a substantial portion of the Company's revenues for the current quarterly period was recognized in May 1992 and are not currently due from customers. The Company also experienced payment delays for certain projects which had a negative impact on the cash flows for the period.

Working Capital. During the Company's quarter ending May 31, 1992, working capital increased $121,153, or 14.8%, to $941,771 from $820,618 on November 30, 1991. The majority of the increase came from the renewal of the $200,000 term loan, making $150,000 no longer current, but long term.

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Balance Sheet Analysis. Table 2, which follows, sets forth the percentage of change in the Company's Balance Sheet from November 30, 1991 to May 31, 1992. This Table must be reviewed in conjunction with the Company's Consolidated Balance Sheets presented in Part I, Item 1, Pages 3 and 4 of this filing.

Table 2

	Percentage of Change Period November 30, 1991 to May 31, 1992 %
CURRENT ASSETS	
Cash and cash equivalents	47.0
Accounts receivable	14.7
License fee receivables	(2.5)
Inventories	6.2
Income tax receivable	(100.0)
Costs and estimated earnings in excess of billings on uncompleted contracts	130.0
Prepaid expenses and other assets	(40.0)
Total current assets	17.9
LONG-TERM RECEIVABLE	
License fee receivables, less current maturities	5.9
Loan receivable - officer	20.4
PROPERTY AND EQUIPMENT	3.2
INTANGIBLE ASSETS	(18.0)
Total assets	11.7
CURRENT LIABILITIES	
Notes payable, bank	17.0
Current maturities of long-term debt	(29.6)
Accounts payable and accrued expenses	53.6
Billings in excess of costs and estimated earnings on uncompleted contracts	20.1
Total current liabilities	18.7
LONG-TERM DEBT	0.0
DEFERRED INCOME TAXES	15.9
STOCKHOLDERS' EQUITY	7.5

The Company's total assets have increased by $765,348, or 11.7%. The increase was mainly the result of an increase in current assets. During the current quarter, the Company accounts receivable and "costs and estimated earnings in excess of billings on uncompleted contracts" increased considerably compared to November 30, 1991 balances. The increase in accounts receivables was due to a substantial billing month in May of 1992 and some delayed payments on current accounts. The increase in "costs and estimated earnings in excess of billings on uncompleted contracts" was due to work performed prior to certain billing milestones being reached.

Fluctuations in the Company's current assets are normal and are expected by management as a result of the following factors:

a) Sales volatility;
b) Milestone billing on contracts; and
c) Revenue recognition.

Current Liabilities increased 18.7% compared to the November 30, 1991 balances. The increase was primarily due to increases in borrowings against the Company's line of credit and increases in affiliated accounts payable, mainly due to inventory purchases toward the latter part of the quarter. Such increases are normal and can be offset with cash flows from receipts of accounts receivables.

Non-current long-term debt stayed relatively the same as a result of principal payments on long-term debt being offset by the reclassification of $150,000 of the $200,000 term loan to long-term debt.

The Company announced that on February 12, 1992, its Board of Directors authorized and approved a 4:1 reverse stock split of all Company common stock, warrants, and stock options. The split was effective February 28, 1992. The action was taken as part of the Company's strategy with recently enacted NASD standards for continued quotation on the NASDAQ system.

The first milestone for the Plan was verified during the first quarter of 1992. Options to purchase twenty-seven thousand four hundred ninety-nine (27,499) shares of common stock will be exercisable at the option price of $1.1875 since approval by the Board of Directors in April of 1992.

LITIGATION

On April 30, 1992 the Company entered into a Settlement Agreement and Mutual Release ("Settlement") with Kress Corporation "(Kress") pursuant to which the Company and Kress have dismissed with prejudice all claims made against the other in the action for declatory judgement filed by the Company in the North Carolina General Courts of Justice Superior Court Division, Mecklenburg County. Pursuant to the terms of the Settlement, NDC has paid to Kress the sum of $51,500, which was made without any admission of wrongdoing by the Company. Both parties have granted releases to the other for all claims arising out of matters which occurred at any time prior to the date of the Settlement.

PURCHASE OF NDC TECHNOLOGY AUSTRALIA PTY. LTD.

On July 1, 1992, NDC Automation, Inc. acquired 100% of the outstanding stock of NDC Technology Australia Pty. Ltd. for a total consideration of treasury stock and cash of $103,000. (See Exhibit F of this filing.) Management believes that with the present backlog in Australia and possible government grants to be received within the next five months, NDC Technology Australia Pty. Ltd. should be brought back into a positive equity position. NDC Automation, Inc. will finance any shortfall in the interim.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On April 30, 1992 the Company entered into a Settlement Agreement and Mutual Release("Settlement") with Kress Corporation "(Kress") pursuant to which the Company and Kress have dismissed with prejudice all claims made against the other in the action for declatory judgement filed by the Company in the North Carolina General Courts of Justice Superior Court Division, Mecklenburg County. Pursuant to the terms of the Settlement, NDC has paid to Kress the sum of $51,500, which was made without any admission of wrongdoing by the Company. Both parties have granted releases to the other for all claims arising out of matters which occurred at any time prior to the date of the Settlement.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

(a) Annual Shareholder's Meeting April 27, 1992

(b) The following individuals were re-elected directors of the Company:

Gunnar K. Lofgren
James R. Currier, Sr.
Goran P. R. Netzler
Jan H. L. Jutander
James F. Huzl
E. Thomas Watson

(c) Other matters voted upon and voting is as follows:

(i) Ratification of the selection of McGladrey & Pullen by the Board of Directors as the Company's independent auditors.

For	Abstain	Against
1,465,683	3,250	3,200

(d) None

Item 5. Other Information

None.

Item 6. Exhibits and Report on Form 8-K

(a) Exhibits -- Press Releases (See pages 23-26)
(b) Report on Form 8-K, filed March 4, 1992 (See pages 27-29)
Reverse Stock Split
Report on Form 8-K, filed on July 10, 1992 -- (See pages 30-33)
Purchase of NDC Technology Australia Pty. Ltd.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunder duly authorized.

NDC AUTOMATION, INC.
Registrant

Gunnar K. Lofgren
President
(Chief Executive Officer)

Claude Imbleau
VP - Finance & Administration

Date: July 14, 1992

NDC AUTOMATION, INC.

3101 Latrobe Drive
Charlotte, NC 28211
(704) 362-1115 Phone
(704) 364-4039 Fax

EXHIBIT A

FOR IMMEDIATE RELEASE

July 17, 1992

NDC AUTOMATION ANNOUNCES AN LGV (LASER GUIDED VEHICLE) ORDER

Charlotte, NC, July 17, 1992, NDC Automation, Inc. (NASDAQ Symbol "AGVS") has received an order in excess of $2,000,000, during the quarter ending May 31, 1992, using our newly introduced Laser Guided Technology in the textile industry. This order opens up new applications and markets not previously addressed (such as the textile industry).

Management sees many advantages through this technology, such as reducing installation costs and damage to existing flooring, as well as having a built-in flexibility for future modifications to the installed system.

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For further information contact:

Gunnar Lofgren
President or
Ann Thompson
Executive Assistant
(704) 362-1115

NDC AUTOMATION, INC.

3101 Latrobe Drive
Charlotte, NC 28211
(704) 362-1115 Phone
(704) 364-4039 Fax

EXHIBIT B

FOR IMMEDIATE RELEASE
March 20, 1992

Charlotte, NC, March 20, 1992, NDC Automation, Inc. (NASDAQ Symbol "AGVS") announces the receipt of its first new advanced laser guided vehicle system for pharmaceutical giant ... Glaxo ... in Melbourne, Australia.

The system, at an order value of $533,000, consists of three vehicles to handle totes of pharmaceutical material between receiving, the automated warehouse system, and different process lines. "Pharmaceutical applications are one of the prime markets for our new laser technology for some very important reasons," according to Gunnar Lofgren, NDC's president:

- It is an environmentally safe installation in a clean room atmosphere, compared to the in-floor wire system; and
- The system layout is flexible, capable of quick, easy system modifications, thereby meeting fast-changing production demands.

Some basic insight into laser guidance ... vehicles are equipped with a rotating laser head (emitting an invisible, low intensity laser beam), which, while driving, measures the angles between a number of reflection points in the building. From this information, the vehicle can orientate itself in a coordinate system, which includes the entire operative field. The route pattern is defined by CAD routines.

Installation of the first phase of the project will take place in September this year, with more to follow.

###

For further information contact:

Gunnar Lofgren
President or
Ann Thompson
Executive Assistant
(704) 362-1115

NDC AUTOMATION, INC.

3101 Latrobe Drive
Charlotte, NC 28211
(704) 362-1115 Phone
(704) 364-4039 Fax

EXHIBIT C

FOR IMMEDIATE RELEASE

July 8, 1992

NDC AUTOMATION ANNOUNCES THREE AUTOMATIC ROLL HANDLING INSTALLATIONS

Charlotte, NC, July 8, 1992, NDC Automation, Inc. (NASDAQ Symbol "AGVS") has received orders in excess of $1,000,000 to deliver AGVS control systems for three (3) automatic roll handling installations to the newsprint industry. The final value of the orders is to be determined during the course of engineering on each of the projects.

Two of the systems are sold for a large Japanese conglomorate group which delivers turnkey newsprint systems. "This is a major breakthrough in the Asian newsprint market and has great potential for future sales," says Gunnar Lofgren.

The third system is a repeat order for a major European newsprint concern to which NDC delivered a large system in 1991.

Delivery by NDC will be completed by year end.

###

For further information contact:

Gunnar Lofgren
President or
Ann Thompson
Executive Assistant
(704) 362-1115

NDC AUTOMATION, INC.

3101 Latrobe Drive
Charlotte, NC 28211
(704) 362-1115 Phone
(704) 364-4039 Fax

FOR IMMEDIATE RELEASE EXHIBIT D

May 22, 1992

NDC AUTOMATION ANNOUNCES AGREEMENT WITH SCHLAFHORST, INC.

Charlotte, NC, May 22, 1992, NDC Automation, Inc. (NASDAQ Symbol "AGVS") announces that final negotiations are to be completed within the next two weeks for a long-term Partnership Agreement with Schlafhorst, Inc., Charlotte, North Carolina. The Agreement will entail supplying the textile industry with automation to link the various manufacturing processes, specifically where they relate to all tasks involving open ended spinning.

###

For further information contact:

Gunnar Lofgren
President or
Ann Thompson
Executive Assistant
(704) 362-1115

EXHIBIT E

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) March 4, 1992

NDC Automation, Inc.
(Exact name of registrant as specified in its charter)

Delaware	0-18253	56-1460497
(State or other jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

3101 Latrobe Drive Charlotte, NC 28211
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (704) 362-1115

(Former name or former address, if changed since last report.)

Item 1. Changes in Control of Registrant.

None.

Item 2. Acquisition or Disposition of Assets.

None.

Item 3. Bankruptcy or Receivership.

None.

Item 4. Changes in the Registrant's Certifying Accountant.

None.

Item 5. Other Events.

(a) Please see the Press Release attached hereto as Exhibit A.

Item 6. Resignations of Registrant's Directors.

Item 7. Financial Statements and Exhibits.

(a) Exhibit A - Press Release of Reverse Stock Split.

Item 8. Change in Fiscal Year.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1923, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NDC AUTOMATION, INC.

Date: March 4, 1992

By: ______________________
James [illegible] Currier, Sr.
Executive Vice President

NDC AUTOMATION, INC.

3101 Latrobe Drive
Charlotte, NC 28211
(704) 362-1115 Phone
(704) 364-4039 Fax

EXHIBIT A

to Form 8-K

FOR IMMEDIATE RELEASE
March 4, 1992

NDC AUTOMATION ANNOUNCES REVERSE STOCK SPLIT

Charlotte, NC, March 4, 1992, NDC Automation, Inc. (NASDAQ Symbol "AGVS") announced that on February 14, 1992, its Board of Directors authorized and approved a 4 to 1 reverse split of all Company common stock, warrants, and stock options. The split was effective February 28, 1992.

Company management states that the action was taken as part of the Company's strategy for complying with recently enacted NASD standards for continued quotation on the NASDAQ system.

###

For further information contact:

Gunnar Lofgren
President or
Ann Thompson
Executive Assistant
(704) 3o2-1115

EXHIBIT F

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

Current Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) .... July 10, 1992 ......

NDC Automation, Inc.

(Exact name of registrant as specified in its charter)

Delaware	0-18253	56-1460497
(State or other jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

3101 Latrobe Drive, Charlotte, NC	28211
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code ... (704) 362-1115 .....

(Former name or former address, if changed since last report.)

Item 2. Acquisition of Assets.

1. See Press Release attached hereto, and incorporated herein by reference as Exhibit 1.

2. Amount of Consideration Given - $103,000.00 distributed as follows:

   a) 23,750 Treasury Shares of the Registrant with a value of $2.00/share at the close of business on 6/30/92 (total value $47,500.00).

   b) $55,500.00 Cash.

3. Principle followed in determination of consideration.

   a) Analysis by Registrant's senior management of historical financial data of NDC Australia.

   b) Analysis by Registrant's senior management of expected current financial results, backlog, quotation activity, and other qualitative business factors (including goodwill and potential of future business.

   c) Presentation by Registrant's senior management of the results of above data to Hitchner, Whitt & Company, PA, a CPA firm specializing in business valuations, from which an opinion letter was rendered establishing fair market value.

4. Relationship between Buyers and Sellers.

   a) NDC Technologies International Ltd. (Seller) (hereinafter, "NDC International") is owned 25% each by Gunnar Lofgren and James Currier, President and Executive Vice President, respectively, of NDC Automation, Inc. (Buyer).

   b) NDC Technology Australia Pty Ltd. (Acquired Company) (hereinafter "NDC Australia") is 95% owned by NDC International and 5% owned by Randall E. Jennings, Vice President - Operations of the Buyer.

5. Source of funds used in the acquisition.

   a) Treasury Shares which the Registrant has purchased from time to time in open market transactions subject to an authorization by the Registrant's Board of Directors on 11/27/90.

   b) $55,500.00 cash generated from operations of the Registrant.

Item 7. Financial Statements and Exhibits.

1. It is impracticable for the Registrant to submit, at the time of this filing, financial statements of NDC Australia, since the audited statements for its fiscal year ended June 30, 1992 will not be available until late July 1992 and converted to US currency and generally accepted accounting principles by late August 1992. Registrant will file said financials with the Commission no later than September 14, 1992.

2. Exhibit 1 - Press Release.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1923, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NDC AUTOMATION, INC.

Date: July 10, 1992

By:
Claude Imbleau
Vice President - Finance

NDC AUTOMATION, INC.

3101 Latrobe Drive
Charlotte, NC 28211
(704) 362-1115 Phone
(704) 364-4039 Fax

FOR IMMEDIATE RELEASE
July 10, 1992

EXHIBIT 1

NDC AUTOMATION ANNOUNCES ACQUISITION

Charlotte, NC, July 10, 1992, NDC Automation, Inc. (NASDAQ Symbol "AGVS") announced today the acquisition of NDC Technology Australia Pty Ltd. ("NDC Australia") effective July 1, 1992, from NDC Technologies International Ltd. ("NDC International"), an affiliate company, for cash and treasury stock valued at $103,000.

Gunnar Lofgren, NDC Automation President and CEO, remarks that "the addition of NDC Australia will further strengthen the Company's reputation as an international supplier of factory automation technology. Furthermore, the value of NDC Australia should prove valuable to the Company as a base for expansion into the Pacific Basin."

Company officials note that while business in the domestic Australian market is cyclical and has not been profitable in recent years, the Company expects NDC Australia to show a small profit for its fiscal year ended June 30, 1992. Subject to the outcome of certain grant applications to be filed with the Australian government, NDC Australia could receive up to $250,000 (Australian) before November 30, 1992. If the grant is received, it will be applied to the consolidated pretax profit of the Company.

###

For further information contact:

Gunnar Lofgren
President or
Ann Thompson
Executive Assistant
(704) 362-1115

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

mr
7/23

For the quarterly period ended May 31, 1992 or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

PROCESSED BY
JUL 23 1992

Commission file number 0-18299

14/14: x

Microfilmed by
iQ-Data Corp. - St. Petersburg, FL

NEWS COMMUNICATIONS, INC.
(Exact name of registrant as specified in i[illegible]

NEVADA
(State or other jurisdiction of incorporation or organizations)

13-3346991
(I.R.S Employer I.D.Number)

330 Seventh Avenue, New York, New York 10001
(Address of principal executive offices) (Zip Code)

Registrant's telephone number: (212) 268-8600

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that Registrants was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO____

As of July 16, 1992, 4,423,664 shares of common stock was outstanding.

TABLE OF CONTENTS

PAGE NUMBER	DESCRIPTION
1	10-Q Title Page
2	Table of Contents
3	Consolidated Balance Sheets at May 31, 1992 and November 30, 1991
5	Consolidated Statement of Operations for the three and six months ended May 31, 1992 and May 31, 1991
6	Consolidated Statement of Cash Flows at May 31, 1992 and May 31, 1991
8	Notes to Consolidated Financial Statements
9	Management's Discussion and Analysis of Financial Condition and Results of Operations
14	Signatures

NEWS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	May 31, 1992 (unaudited)	November 30, 1991
CURRENT ASSETS:		
Cash	$ 204,681	$ 165,574
Accounts Receivable- Less: Allowance for Doubtful Accounts of $453,600 and $342,700, Respectively	1,743,340	1,685,626
Other Current Assets	116,020	59,075
TOTAL CURRENT ASSETS	2,064,041	1,910,275
Property and Equipment at Cost- Net of Accumulated Depreciation of $234,074 and $191,387, Respectively	280,722	295,947
Goodwill - Net	3,178,958	3,275,690
Prepaid Public Offering Costs	170,525	--
Other Assets	158,924	176,037
TOTAL ASSETS	$ 5,853,170	$ 5,657,949

NEWS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	May 31, 1992 (unaudited)	November 30, 1991
CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	$ 1,132,299	$ 614,697
Notes Payable - Bank	275,000	100,000
Accrued Payroll Taxes	311,478	240,972
Notes Payable- Other	473,750	350,000
Other Current Liabilities	58,808	9,496
TOTAL CURRENT LIABILITIES	2,251,335	1,315,165
LONG TERM DEBT:		
Notes Payable - Other	439,750	913,500
Other Payables	9,591	1,860
TOTAL LONG TERM DEBT	449,341	915,360
TOTAL LIABILITIES	2,700,676	2,230,525
COMMITMENTS AND CONTINGENCIES	-----	-----
STOCKHOLDERS' EQUITY:		
Preferred Stock, $1.00 Par Value; 500,000 Shares Authorized:		
10% Convertible Preferred Stock, 1,250 Shares Authorized; 41 and 333 Issued and Outstanding, Respectively	41	333
8% Convertible Preferred Stock, 500 Shares Authorized; 100 and None Issued and Outstanding, Respectively	100	----
12% Convertible Preferred Stock, 200 Shares Authorized; 200 and none Issued and Outstanding, Respectively	200	----
Common Stock, $.01 Par Value; Authorized, 100,000,000 Shares; 4,569,492 and 4,034,589 Issued and Outstanding, Respectively	45,695	40,346
Paid-in Capital - Preferred Stock	436,489	1,208,437
Paid-in Capital - Common Stock	7,078,387	6,001,428
(Deficit)	(4,000,189)	(3,414,891)
	3,560,723	3,835,653
Less: Treasury Stock (149,333 Common Shares) - At Cost	(408,229)	(408,229)
TOTAL STOCKHOLDERS' EQUITY	3,152,494	3,427,424
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 5,853,170	$ 5,657,949

NEWS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended May 31,		Six Months Ended May 31,	
	1992	1991	1992	1991
	(Unaudited)		(Unaudited)	
NET REVENUES	$ 1,780,150	$ 1,698,650	$ 3,034,813	$ 2,950,314
EXPENSES:				
Direct Mechanical Costs	504,260	406,189	847,166	733,326
Salaries, Benefits and Outside Labor Costs	831,316	873,077	1,641,067	1,654,504
Rent, Occupancy & Utilities	94,893	120,297	217,163	222,791
Provisions for Doubtful Accounts	56,000	41,500	133,000	67,800
General and Administrative	332,396	239,468	707,808	508,066
TOTAL EXPENSES	1,818,865	1,680,531	3,546,204	3,186,487
OPERATING INCOME (LOSS) BEFORE INTEREST EXPENSE	(38,715)	18,119	(511,391)	(236,173)
INTEREST EXPENSE	49,910	13,979	73,907	40,721
NET INCOME (LOSS)	$ (88,625)	$ 4,140	$ (585,298)	$ (276,894)
NET INCOME (LOSS) PER SHARE	$(.02)	$ .00	$ (.14)	$ (.13)
WEIGHTED AVERAGE SHARES OUTSTANDING (See Note B)	4,325,799	2,271,214	4,223,280	2,150,936

NEWS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended May 31,	
	1992	1991
	(Unaudited)	
Operating Activities:		
Net (Loss)	$ (585,297)	$ (276,894)
Adjustments to Reconcile Net (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	139,419	113,469
Provision for Losses on Accounts Receivable	133,000	67,800
Reduction in Prepaid Interest and Discount	----	15,084
Change in Assets and Liabilities:		
(Increase) in Accounts Receivable	(190,714)	(465,380)
Decrease (Increase) in Other Current Assets	17,113	(28,778)
(Increase) in Goodwill	----	(1,017,946)
(Increase in Public Offering Costs	(34,148)	----
(Increase) in Other Assets	(49,945)	6,051
(Decrease) Increase in Accounts Payable and Accrued Expenses	384,592	(126,381)
Increase in Payroll Taxes Payable	70,506	628
Increase (Decrease) in Other Current Liabilities	49,312	(56,052)
Total Adjustments	519,135	(1,491,505)
NET (DEFICIT) - OPERATING ACTIVITIES - Forward	(66,162)	(1,768,399)

News Communications, Inc. and Subsidiaries

	Six Months Ended May 31,	
	1992	1991
	(Unaudited)	
NET (DEFICIT) - OPERATING ACTIVITIES - Forwarded	(66,162)	(1,768,399)
INVESTING ACTIVITIES:		
Capital Expenditures	(27,462)	(65,371
NET CASH USED BY INVESTING ACTIVITIES	(27,462)	(65,371)
FINANCING ACTIVITIES:		
Principal Payments Long-Term Debt	(350,000)	(217,000)
Proceeds of Bank and Other Notes	175,000	750,000
Purchase of Treasury Stock	----	(18,229)
Proceeds From Preferred Stock Offering	300,000	----
Other Financing Activities	7,731	----
NET CASH PROVIDED BY FINANCING ACTIVITIES	132,731	514,771
NET INCREASE (DECREASE) IN CASH	39,107	(1,318,999)
CASH - BEGINNING OF PERIODS	165,574	1,838,689
CASH - END OF PERIODS	$ 204,681	$ 519,690

NEWS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Basis of Presentation:

The consolidated balance sheet as of May 31, 1992 and the statement of operations for the three and six months ended May 31, 1992 and May 31, 1991, the consolidated statement of cash flow for the six-month period ended May 31, 1992 and May 31, 1991, have been prepared by the company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flow have been made. The results for the interim periods are not necessarily indicative of the results for a full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been consolidated or omitted. These consolidated financial statements should be read in conjunction with the company's annual report Form 10-K for the fiscal year ended November 30, 1991 and the related audited financial statements included therein.

B. Common Stock

On May 12, 1992, the Company effected a one-for-ten reverse stock split on its common stock. All references to shares of common stock, retroactively reflect this reverse split.

C. Loss per Share:

Loss per share is based on the weighted average number of shares outstanding during the periods.

NEWS COMMUNICATIONS, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

News Communications, Inc. publishes various free circulation newspapers in the New York Metropolitan area.

The Company publishes **The Queens Tribune**, **The Manhattan Spirit**, **Dan's Papers** and **Our Town** - all weekly regional newspapers, and **Office Life**, a monthly magazine until April of 1991, when it was restructured as a monthly supplement to **The Manhattan Spirit**.

On March 10, 1992, the Company signed letters of intent with Enlightenment Press and Barnegat Communications, to acquire three newspapers serving Manhattan and two newspapers serving resort areas of New Jersey. The consummation of the proposed transactions is subject to the negotiations of definitive agreements with the selling parties. At the present time, the Company cannot determine whether it is more likely than not that either or both of the proposed acquisitions will ultimately be consummated.

The following table sets forth, for the periods indicated, certain information relating to each of the Company's publications and to certain expenses incurred by the parent company, **News Communications, Inc.** The information for the three and six months ended May 31, 1992 and 1991 is unaudited. Management does not believe that there is any distortion that materially affects this presentation.

	Three Months Ended May 31,		Six Months Ended May 31,	
	1992	1991	1992	1991
	(Unaudited)		(Unaudited)	
ONGOING OPERATIONS:				
Net Revenues:				
Queens Tribune	$ 681,554	$ 686,738	$1,236,525	$1,198,399
The Spirit	445,218	582,882	824,460	1,089,312
Dan's Papers	402,707	286,252	515,354	357,499
Our Town(1)	246,742	11,411	444,362	11,411
Total Revenues	$1,776,221	$1,567,283	$3,020,701	$2,656,621
Income (Loss):				
Queens Tribune	$ 105,190	$ 88,526	$ 153,124	$ 133,286
The Spirit	(18,275)	44,602	(61,651)	82,486
Dan's Papers	93,659	16,610	(5,588)	(95,218)
Our Town(1)	23,842	(1,001)	41,175	(1,001)
Income from Operations:	204,416	148,737	127,060	119,553
Less: Amortization of Goodwill(2)	48,366	39,392	96,732	78,784
Net Income from Ongoing Operations	$ 156,050	$ 109,345	$ 30,328	$ 40,769
Restructed Operations:				
Office Life - Loss From Operations(3)	$ 15,345	$ 27,221	$ 126,271	$ 126,937
Parent Company Expenses:				
Personnel, Rent, General and Administrative	$ 180,587	$ 87,077	$ 417,902	$ 198,164
Interest Expense (Income)(4)	$ 48,743	$ (9,093)	$ 71,453	$ (7,438)
Net Income (Loss):	$ (88,625)	$ 4,140	$ (585,298)	$ (276,894)

(1) Net Revenues and Income From Operations for Our Town are from the date of acquisition, May 22, 1991.

(2) Amortization of goodwill by publication is as follows:

	Three Months Ended May 31,		Six Months Ended May 31,	
	1992	1991	1992	1991
Queens Tribune	$26,717	$26,717	$53,434	$53,434
Dan's Papers	12,675	12,675	25,350	25,350
Our Town	8,974	----	17,948	----
	$48,366	$39,392	$96,732	$78,784

(3) Results of operations from Office Life have been segregated since Office Life was converted from a monthly magazine to a monthly tabloid supplement to the Manhattan Spirit in March 1991. Final restructuring was completed in March 1992.

(4) Net of interest income of $20,817 for the three months and $44,167 for the six months ended May 31, 1991.

Results of Operations

The following discussion compares results of operations for the three months ended May 31, 1992 and 1991 and for the six months ended May 31, 1992 and 1991.

Ongoing Operations

Three Months Ended May 31, 1992 and 1991. The **Queens Tribune** had a decrease in revenue (1%). **The Spirit's** decrease in revenue (24%) was primarily from a reduction of both display and classified sales resulting from the continued adverse economic conditions in the New York City Area. **Dans Papers'** increase in revenue (41%) was primarily from increased display sales due to greater recognition in the community, increased sales efforts in the display area, as well as an increase in sales from its **Montauk Pioneer** edition. **Our Town** was acquired effective the last week of May 1991, and thus revenues for 1991 are not significant.

The increase in income for the **Queens Tribune** (19%) was generated due to lower general and administrative expenses, as compared to last year. **The Spirit** showed a loss this year, as compared to a profit in 1991, due primarily from lower display and classified revenue. Operating expenses were reduced, but not enough to offset the decrease in revenue. **Dans Papers'** income increased significantly (464%) due to the large increase in revenue, offset with increases in sales expenses and printing costs. **Our Town's** income from operations was about $24,000, with no comparable quarter last year, since operations commenced the last week of May 1991.

Six Months Ended May 31, 1992 and 1991. The increase in revenue for the **Queens Tribune** (3%) was obtained due to the growth of its **Western Queens** edition, offset by the general decline in economic conditions in the New York City area. **The Spirit's** decrease in revenue (24%) occurred in both display and classified advertising. This decline was also due to adverse economic conditions in the New York City area. **Dans Papers'** increase in revenue (44%) was primarily achieved from significant increases in display sales, as well as from increased classified sales. Our Town's revenue was about $440,000. No comparison can be made to last year since the paper was acquired in the last week of the quarter.

The increase in income for the Queens Tribune (16%) was due to higher revenue with only small increases in operating costs. The decrease in income for The Spirit resulted primarily from lowered display and classified revenue. Operating expenses were reduced, but not enough to offset the decrease in revenue. Dans Papers', which traditionally has a large loss during the winter period, achieved a significant decrease in its loss. This was achieved through higher display sales, with appropriate increased costs for printing the larger paper, and increased sales expense. Our Town had an income of over $41,000 as compared to about $1,000 in the one week that the paper was owned last year.

Restructured Operations. Office Life was restructured as a monthly section of The Spirit in the second quarter of 1991. In the course of this realignment, significant expenses were incurred. This realignment was substantially completed by the end of the first quarter of 1992. Although there can be no assurance, no further material losses are expected.

Parent Company Expenses. Increases in expenses for the parent company were for general and administrative expenses, primarily due to the increase personnel costs and the amortization of goodwill, in both the three and six months periods ended May 31.

Liquidity and Capital Resources

At May 31, 1992, the Company had an excess of current liabilities over current assets in the amount of approximately $187,000. During May 1992, notes payable of $250,000 to the former owner of Our Town, was paid by obtaining funds from the sale of $200,000 of new 8% Convertible Preferred Stock and $100,000 of new

12% Convertible Preferred Stock. An additional $117,000 of 8% Convertible Preferred Stock was sold in July 1992. Bank debt (pursuant to a $300,000 credit line from Chemical Bank), totalling $275,000, is due July 27, 1992. The Company believes that this obligation will be extended, as it has on two prior occasions.

Although (and there can be no assurances) the Company's operations during the last two quarters of the current fiscal year may generate some positive cash flow because such period encompasses the summer months, it is unlikely that any amounts generated will be sufficient to meet the Company's cash requirements during the next 12 month period. To provide funds for working capital for current publications, proposed acquisitions, and a desired expansion of sales staff and other expenses not covered by revenue, the Company has filed an S-1 registration with the Securities and Exchange Commission. This public offering, for 1,500,000 units (each unit to consist of one share of common stock and two warrants to purchase additional shares of common stock) is to be sold through Hibbard Brown & Company. If this offering is successful, the Company expects to realize sufficient funds to cover all of the Company's presently foreseeable financial needs.

In the absence of such financing, management believes it would be able to raise the funds necessary to meet its obligations through either factoring financing of its receivables or by loans from certain board members, who have indicated a willingness to do so if necessary, as they have done at certain times previously. While there can be no assurance that such fund-raising efforts would be successful, management believes that the necessary funds could be raised in a timely manner. Failure to raise such funds could have material adverse affects upon the Company, including the possible foreclosure on pledges of the stock of the companies that own The Spirit and of Our Town.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunder duly authorized.

NEWS COMMUNICATIONS, INC.
(Registrant)

Date: July 17, 1992

By: ______________________
Michael Schenkler President

Date: July 17, 1992

By: ______________________
Philip Brettschneider,
Controller

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15 (d) of
The Securities Exchange Act of 1934

For the Quarterly Period Ended:
February 29, 1992

Commission File Number
0-19331

NORTHERN INSTRUMENTS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

41-0857886
(I.R.S. Employer Identification Number)

6680 N. Highway 49, Lino Lakes, MN 55014
(Address of principal executive offices)

(612) 784-1250
(Registrant's telephone number)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES __X__ NO _____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of March 24, 1992
Common Stock, $.02 par value	4,265,273

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"This document consists of 11 pages. No exhibits are being filed."

PART I. - FINANCIAL INFORMATION

ITEM 1. - FINANCIAL STATEMENTS

NORTHERN INSTRUMENTS CORPORATION

BALANCE SHEETS (Unaudited)

ASSETS	February 29, 1992	August 31, 1991	February 28, 1991
CURRENT ASSETS:			
Cash and cash equivalents	$ 1,051,771	$ 859,740	$ 843,507
Short term investments	295,736	295,736	
Receivables:			
Trade less allowance for doubtful accounts of $16,798, $15,585 and $15,202, respectively	531,063	539,724	491,548
Joint ventures	132,050	106,050	29,806
Officers and employees		21,522	
Inventories:			
Finished goods	185,455	169,426	115,675
Work-in-process	69,198	65,182	68,992
Production material	116,678	106,109	110,856
Prepaid expenses	34,825	14,218	6,774
Total current assets	2,416,776	2,177,707	1,667,158
PROPERTY AND EQUIPMENT:			
Land	20,761	20,761	20,761
Buildings and improvements	355,923	353,157	343,390
Machinery and equipment	373,862	385,430	377,490
	750,546	739,348	741,641
Less accumulated depreciation	578,991	570,461	548,959
	171,555	188,887	192,682
OTHER ASSETS:			
Investments in joint ventures, including an advance to an affiliate of $16,250, $14,000 and $0, respectively	460,748	416,646	131,915
Patents and licenses, less accumulated amortization of $72,105, $69,706, and $96,751, respectively	10,481	12,880	44,679
Other	53,410	53,410	67,761
	524,639	482,936	244,355
	$ 3,112,970	$ 2,849,530	$ 2,104,195

LIABILITIES AND STOCKHOLDERS' EQUITY

	February 29, 1992	August 31, 1991	February 28, 1991
CURRENT LIABILITIES:			
Accounts payable	$ 103,883	$ 105,215	$ 129,883
Note payable	37,290	37,290	37,290
Income taxes	4,231	49,480	104,171
Deferred income taxes	30,700	30,700	
Due to officers and employees	9,845		
Accrued liabilities:			
Payroll taxes	49,707	42,215	33,328
Other	19,241	16,507	40,232
Total current liabilities	254,897	281,407	344,904
EXCESS OF FAIR VALUE OF ASSETS PURCHASED OVER COST	372,052	269,402	
STOCKHOLDERS' EQUITY:			
Preferred stock, no par value, authorized 10,000 shares, none issued			
Common stock, $.02 par value; authorized 10,000,000 shares; issued and outstanding 4,265,273, 4,230,273 and 4,230,273 shares, respectively	85,305	84,605	84,605
Additional paid-in capital	4,672,263	4,637,963	4,637,963
Accumulated deficit	(1,942,139)	(2,101,909)	(2,654,728)
	2,815,429	2,620,659	2,067,840
Notes and related interest receivable for stock purchased	(329,408)	(321,938)	(308,549)
	2,486,021	2,298,721	1,759,291
	$ 3,112,970	$ 2,849,530	$ 2,104,195

See notes to financial statements.

NORTHERN INSTRUMENTS CORPORATION

STATEMENTS OF INCOME (Unaudited)

	Three months ended		Six months ended	
	February 29, 1992	February 28, 1991	February 29, 1992	February 28, 1991
SALES	$ 909,422	$ 779,911	$1,896,427	$1,631,793
COST OF GOODS SOLD	443,396	415,864	945,481	867,000
GROSS PROFIT	466,026	364,047	950,946	764,793
OPERATING EXPENSES:				
Selling	115,381	111,768	224,466	214,677
General and administrative	167,939	124,268	320,992	227,244
Research, engineering and technical support	71,069	64,149	140,185	122,900
	354,389	300,185	685,643	564,821
OPERATING INCOME	111,637	63,862	265,303	199,972
AFFILIATED COMPANIES AND JOINT VENTURES:				
Equity in income of joint ventures	24,952	10,766	24,952	10,766
Fees for technical assistance to joint venture	142,017	72,739	154,850	82,734
Advances to affiliates recovered	2,500		8,750	31,250
	169,469	83,505	188,552	124,750
OTHER INCOME (EXPENSE):				
Amortization of fair value of assets purchased over cost	33,676		67,351	
Gain on sale of equipment			2,962	
Interest income	13,554	14,816	27,675	24,850
Interest expense		(463)		(1,268)
Other income	918	12,854	16,191	29,207
	48,148	27,207	114,179	52,789
INCOME BEFORE INCOME TAXES	329,254	174,574	568,034	377,511
INCOME TAXES	115,000	58,000	195,000	125,000
NET INCOME	$ 214,254	$ 116,574	$ 373,034	$ 252,511
NET INCOME PER COMMON SHARE	$ .05	$ .03	$ .09	$ .06
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	4,265,273	4,230,273	4,250,690	4,148,607

See notes to financial statements.

NORTHERN INSTRUMENTS CORPORATION

STATEMENTS OF CASH FLOWS (Unaudited)

	Six months ended	
	February 28, 1992	February 28, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 373,034	$ 252,511
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,960	26,400
Common stock issued for services	35,000	7,000
Interest accrued on notes receivable from purchase of common stock	(7,470)	(7,471)
Gain on sale of equipment	(2,963)	
Equity in income of joint venture	(24,952)	(10,766)
Reduction in income taxes resulting from utilization of subsidiary's net operating loss generated prior to acquisition	170,000	
Amortization of excess of fair value of assets purchased over cost	(67,350)	
Change in current assets and liabilities:		
Receivables:		
Trade	8,661	(13,834)
Joint ventures	(26,000)	8,673
Officers and employees	21,522	
Inventories	(30,614)	47,895
Prepaid expenses	(20,607)	6,472
Accounts payable	(1,332)	56,815
Due to officers and employees	9,845	
Income taxes	(45,249)	(49,442)
Accrued liabilities	10,226	(15,330)
Total adjustments	50,677	56,412
Net cash provided by operating activities	423,711	308,923
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property	(2,766)	(1,791)
Proceeds from sale of equipment	3,500	
Investment in joint venture	(16,900)	(4,459)
Advance to affiliate	(2,250)	
Increase in other assets		(21,180)
Net cash used in investing activities	(18,416)	(27,430)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock		2,000
Dividends paid	(213,264)	(143,336)
Principal reduction of debt		(116,624)
Net cash used in financing activities	(213,264)	(257,960)
NET INCREASE IN CASH AND CASH EQUIVALENTS	192,031	23,533
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	859,740	819,974
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$1,051,771	$ 843,507

See notes to financial statements.

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NORTHERN INSTRUMENTS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Unaudited)

1. INTERIM FINANCIAL INFORMATION

In the opinion of management, the accompanying unaudited financial statements contain all necessary adjustments, which are of a normal recurring nature, to present fairly the financial position of Northern Instruments Corporation as of February 29, 1992 and February 28, 1991 and the results of operations and cash flows for the three and six months ended February 29, 1992 and February 28, 1991, in conformity with generally accepted accounting principles.

These financial statements should be read in conjunction with the financial statements and related notes as of and for the year ended August 31, 1991 contained in the Company's filing on Form 10-K and with Management's Discussion and Analysis of Financial Condition and Results of Operations appearing on pages 7 through 8 of this quarterly report.

2. INVESTMENTS IN JOINT VENTURES

As a result of an European Economic Community (ECC) minimum capital requirement, the Company on November 14, 1991 made an additional investment in the Swedish joint venture, ZERUST AB, of 100,000 Swedish Krona (US $16,900). The Company's partner, Westpack AB, made an equal additional investment in ZERUST AB of 100,000 Swedish Krona and the ownership of ZERUST AB remains at 50% owned by the Company and 50% owned by Westpack AB.

The Company had advanced $14,000 to AMT as of August 31, 1991 collateralized by accounts receivable due to AMT. In September 1991, the Company received $11,500 from AMT upon collection of an accounts receivable due to AMT and advanced AMT $13,750 which was collateralized by accounts receivable due to AMT. As a result, at February 29, 1992, the Company's advance to AMT amounted to $16,250 which was collateralized by accounts receivable.

3. INCOME TAXES

Income tax expense for the three and six months ended February 28, 1991 has been restated using an income tax rate of 33.1% which was the overall effective income tax rate for the fiscal year ended August 31, 1991. An effective income tax rate of 39% is being utilized for fiscal 1992 after excluding the income related to the amortization of fair value of assets purchased over cost.

4. SUPPLEMENTAL CASH FLOW INFORMATION

During the six months ended February 29, 1992, the Company issued a total of 35,000 shares of its common stock to seven Directors of the Company at a value of $1.00 per share aggregating $35,000, which was expensed.

On November 29, 1991, the Company paid an annual cash dividend of $.05 per share to shareholders of record as of November 15, 1991. The dividend was paid on 4,265,273 shares aggregating $213,264.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

General - The Company conducts all foreign transactions based on the U.S. dollar, except for its investments in foreign joint ventures. The exchange rate differential relating to investments in foreign joint ventures will be accounted for under the requirements of SFAS No. 52. To date, the exchange rate differential has been insignificant.

Sales - Net sales increased by $129,511 during the second quarter of 1992 from those in the second quarter of 1991. Net sales increased by $264,634 during the six months ended February 29, 1992 compared to the same period of 1991. These increases in sales are due to the volume of corrosion inhibiting products sold to existing or new customers. There has been no changes in product pricing, introduction of new products or entry into any particular new markets.

Cost of goods sold - Cost of goods sold as a percentage of net sales for the second quarter of 1992 was 49% compared to 53% for the second quarter of 1991. The cost of goods sold percentages of net sales were 50% for the six months ended February 29, 1992 and 53% for the six months ended February 28, 1991. Variations are primarily due to the mix of product sales and better monitoring of the product costing system in both periods.

Operating expenses - As a percentage of net sales, operating expenses increased from 38% in the second quarter of 1991 to 39% in the second quarter of 1992. Operating expenses were 36% and 35% of net sales for the six months ended February 29, 1992 and February 28, 1991, respectively.

Operating expense classification percentages of net sales were as follows:

	Three months ended		Six months ended	
	February 29, 1992	February 28, 1991	February 29, 1992	February 28, 1991
Selling	13%	14%	12%	13%
General and administrative	18%	16%	17%	14%
Research, engineering and technical support	8%	8%	7%	8%

There is no predominant reason for the decrease in the selling expense as a percentage of net sales for the three or the six months ended February 29, 1992 compared to the same period in 1991.

There is no predominant reason for the decrease in the research, engineering and technical support expense as a percentage of net sales for the six months ended February 29, 1992 compared to the same period in 1991.

The increase in the general and administrative expense as a percentage of net sales for the second quarter of 1992 is attributable to increases in various expenses with the most significant ones being international travel and company printing. The increase in the general and administrative expense as a percentage of net sales for the six months ended February 29, 1992 is attributable to increases in various expenses with the most significant ones being international travel, company printing, and the issuance of a total of 35,000 shares of the Company's common stock at an assigned value of $1.00 per share aggregating $35,000 to Directors of the Company which was expensed as compensation in the first quarter of 1992.

Income from affiliated companies and joint ventures - Income from affiliated companies and joint ventures was $169,469 and $188,552 for the three and the six months ended February 29, 1992, respectively, compared to $83,505 and $124,750 for the three and the six months ended February 28, 1991. The increase for the three months ended February 29, 1992 resulted from increased fees from and earnings of the international joint ventures due to the additional joint ventures that were operational and growth of the previously established joint ventures. The increase for the six months ended February 29, 1992 resulted from the aforementioned growth in fees from and earnings of the international joint ventures partially offset by a decrease in the recovery of advances to affiliates which were received in cash during the six months ended February 28, 1991.

Other income (expense) - Other income (expense) increased in the second quarter of 1992 to $48,148 from $27,207 in the second quarter of 1991. Other income increased by $61,390 during the six months ended February 29, 1992 compared to the comparable period of 1991. The increases resulted primarily from the recording of income of $33,675 in the second quarter of 1992 and $67,350 in the six months ended February 29, 1992 relating to the amortization, over a two year period, of the $269,402 classified as "excess of fair value of assets purchased over cost" in the Company's balance sheet as of August 31, 1991.

LIQUIDITY AND CAPITAL RESOURCES

The Company is attempting to list its common stock on the American Stock Exchange (AMEX) through a new AMEX program called the "Emerging Company Marketplace" (ECM). The Company's common stock is expected to start trading on this new exchange sometime in the third quarter of fiscal 1992.

At February 29, 1992, the Company's working capital was $2,161,879, including $1,051,771 in cash and cash equivalents, compared to working capital of $1,896,300 and $1,322,254 as of August 31, 1991 and February 28, 1991, respectively.

Net cash provided from operations has been sufficient to meet liquidity requirements, capital expenditures, research and development costs and expansion of operations through the Company's international joint ventures. Cash flow from operations for the six months ended February 29, 1992 and February 28, 1991 was $423,711 and $308,923, respectively. This net cash flow resulted principally from net income.

Net cash used in investing activities for the six months ended February 29, 1992 was $18,416 of which $16,900 related to an additional investment in the Swedish joint venture on November 14, 1991. Net cash used in investing activities for the six months ended February 28, 1991 was $27,430 and resulted from an increase in deposits and other assets.

Net cash used in financing activities for the six months ended February 29, 1992 relates to payment of the dividends to stockholders of $213,264 or $.05 per share on November 29, 1991. Net cash used in financing activities for the six months ended February 28, 1991 was $257,960 and related principally to the payment of dividends ($143,336) and the reduction of debt ($116,624).

The Company expects to meet future liquidity requirements with its existing cash and cash equivalents and through future operating earnings and fees from and distributions of earnings from the international joint venture investments.

The Company has no long-term debt and no material lease commitments at February 29, 1992. The Company had no material commitments for capital expenditures outstanding at February 29, 1992.

The Company has not adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 109 - "Accounting for Income Taxes". This new method of accounting for income taxes is required to be adopted no later than fiscal 1994. Adoption of this Statement is not expected to have a significant impact on the Company's financial position or results of operations.

The Company has no postretirement benefit plan and does not anticipate establishing any postretirement benefit program.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

There are no material litigation or other legal proceedings pending against the Company.

ITEM 2 - CHANGES IN SECURITIES

None

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5 - OTHER INFORMATION

None

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NORTHERN INSTRUMENTS CORPORATION

March 24, 1992

Loren M. Ehrmanntraut
Secretary/Treasurer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10Q

[X] QUARTERLY REPORT UNDER SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

Commission File No.-2-70197

OCEAN BIO-CHEM, INC.
(Exact name of registrant as specified in its charter)

Florida	59-1564329
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4041 S. W. 47 Avenue, Ft. Lauderdale, FL	33314
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code - 305 587-6280

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

$.01 Par Value Common Stock, 5,000,000 shares authorized, 2,324,841 issued and outstanding at March 31, 1992.

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PART I - Financial Information

Item 1. Financial Statement

OCEAN BIO-CHEM, INC.
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	MARCH 31, 1992 (Unaudited)	DEC. 31, 1991
Current Assets:		
Cash	$ 169,158	$ 508,127
Trade accounts receivable net of allowance for doubtful accounts of $40,000 at March 31, 1992 and $41,000 at December 31, 1991.	$ 997,273	$1,647,707
Inventories	$1,226,323	$ 994,490
Prepaid Expenses	145,209	$ 56,489
Total Current Assets	$2,537,963	$3,206,813
Office Equipment and Furnishings, Net	$ 94,282	$ 95,345
Other Assets		
Trademarks, trade names and patents, net	$ 552,966	$ 558,714
Deposits and other assets	3,320	3,683
Due From Affiliated Companies, Net	586,545	528,920
Total Other Assets	$1,142,831	$1,091,317
Total Assets	$3,775,076	$4,393,475

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Accounts payable - trade	$ 747,777	$ 708,506
Notes payable - bank	736,854	1,201,854
Current portion of long term debt	145,972	173,268
Accrued expenses payable	20,349	210,142
Total Current Liabilities	$1,650,952	$2,293,770
Long term debt, less current portion	$ 85,219	$ 91,883
Shareholders' Equity:		
Common Stock - $.01 par value, 5,000,000 Shares authorized, 2,824,841 shares issued and outstanding	$ 28,248	$ 27,798
Additional paid-in capital	1,648,270	1,631,620
Retained Earnings	359,853	338,660
Foreign Currency Translation Adjustment	2,534	9,744
Total Shareholders' Equity	$2,038,905	$2,007,822
Total Liabilities & Shareholders' Equity	$3,775,076	$4,393,475

OCEAN BIO-CHEM, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THREE MONTHS ENDED MARCH 31
(Unaudited)

	1992	1991
Gross Sales	$1,525,548	$1,182,979
Allowances	178,245	138,624
Net Sales	$1,347,303	$1,044,355
Cost and expenses:		
Cost of goods sold	$ 811,144	$ 660,798
Advertising and promotion	72,342	20,546
Selling and administrative	411,068	295,439
Interest expense	$ 26,656	28,948
Total Cost and Expenses	$1,321,210	$1,005,731
Income before provision for income taxes	$ 26,093	$ 38,624
Provision for income taxes	4,900	11,000
Net Income (Loss)	$ 21,193	$ 27,624
Earnings Per Share	$ .01	$ .01

OCEAN BIO-CHEM, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THREE MONTHS ENDED MARCH 31
(Unaudited)

	1992	1991
Cash flow used by operating activities:		
Net Income	$ 21,193	$ 27,724
Adjustments to reconcile net loss to net cash provided by operations:		
Depreciation and amortization	$ 12,315	$ 14,705
Change in assets and liabilities:		
Decrease in accounts receivable	650,434	585,864
(Increase) decrease in inventory	(231,833)	21,308
Increase in prepaid expenses	(88,357)	(11,653)
Decrease in accounts payable and accrued expenses:	(150,522)	(46,149)
Net cash provided by operating activities:	$ 213,230	$ 591,799
Cash used by financing activities:		
Net payments under line of credit	$(465,000)	$(778,283)
Net increase (decrease) under capital lease obligations	(27,296)	5,448
Advances to affiliates	(57,625)	(57,948)
Payment on Debts	(6,664)	(17,928)
Proceeds from issuance of common stock	17,100	-
Net cash used by financing activities:	$(539,485)	$(848,711)
Cash used by investing activities:		
Purchase property, plant, equipment	$(5,504)	$(5,356)
Net cash used by Financing activities:	$(5,504)	$(5,356)
Increase in cash prior to effect of exchange rate on cash	$(331,759)	$(262,268)
Effect of exchange rate on cash	$(7,210)	(244)
Net decrease in cash	$(338,969)	$(262,512)
Cash at beginning of period	508,127	320,498
Cash at end of period	$ 169,158	$ 57,986

The company had no cash equivalents at March 31, 1992 and 1991.

OCEAN BIO-CHEM, INC.
AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. The information contained in this Report is unaudited, but reflects all adjustments which are, in the opinion of the management, necessary for a fair statement of results of the interim periods, consisting only of normal recurring accruals. The results for such interim periods are not necessarily indicative of results to be expected for the full year.

Certain financial statement items for the quarter ended March 31, 1991 have been reclassified to conform to the 1992 presentation.

Liquidity and Capital Resources

The primary sources of the Registrant's liquidity are its operations and short term borrowings from a commercial lender based on a line of credit in the amount of $1,250,000.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Results of Operations:

Gross Sales increased approximately $343,000 or 29% for the quarter ended March 31, 1992 when compared to the same quarter of the preceding year. This increase is not attributable to any one specific factor but included such factors as increased market penetration by the registrant's products and timing variances of customer orders.

Cost of Goods Sold decreased as a percentage of gross sales when comparing the quarter ended March 31, 1992 with the comparable quarter in 1991. The percentages were approximately 53% for March 31, 1992 and 56% for 1991. This was not due to any one particular factor.

Selling and Administrative expenses increased approximately $116,000 when comparing the quarter ended March 31, 1992 with March 31, 1991. The increase is attributable mainly to timing differences of bonus payments and increased personnel costs.

Advertising and promotion increased approximately $52,000 comparing the three months ended March 31, 1992 with the same period in 1991. This is primarily due to seasonal variations.

Interest expense decreased approximately $2,000 or 8% when comparing the March 31, 1992 quarter to the corresponding quarter in 1991 primarily due to lower interest rate charged on outstanding balances from the line of credit.

PART II - Other Information

Item 1 - Legal Proceedings: Not applicable.

Item 2 - Changes in Securities: Not applicable

Item 3 - Defaults Upon Senior Securities: Not applicable

Item 4 - Submission of Matters to Vote of Security Holders: Not applicable

Item 5 - Other Matters: Not applicable

Item 6 - Exhibits: Not applicable

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OCEAN BIO-CHEM, INC.

Date: 5/6/92

By:
Peter G. Dornau
Chairman of the Board and
Chief Executive Officer

By:
Peter G. Dornau
Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q
QUARTERLY REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the Quarter Ended: **February 28, 1992**	**Commission File Number** **1-10069**

PERIPHERAL SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Oregon **(State or other jurisdiction of incorporation or organization)**	**93-0845837** **(IRS Employer Identification No.)**
7500 Perimeter Road South **Seattle, Washington** **(Address of principal executive offices)**	**98108** **(Zip Code)**

Registrant's telephone number, including area code: (206) 763-1919

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to the filing requirements for the past 90 days. Yes ✓ No ____.

Number of shares of registrant's common stock outstanding on February 28, 1992: 22,716,530

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PERIPHERAL SYSTEMS, INC.
CONSOLIDATED BALANCE SHEET
ASSETS

	February 28, 1992 UNAUDITED	May 31, 1991
CURRENT ASSETS		
Cash and cash equivalents	$ 27,635	$ 133,326
Accounts receivable		
Trade	421,322	344,289
Related parties	---	2,860
Investment in silver	---	46,478
Prepaid expenses	131,489	50,633
Total current assets	580,446	577,586
PROPERTY, PLANT AND EQUIPMENT		
Buildings and leasehold improvements	56,416	105,121
Machinery and equipment	1,221,572	1,145,369
Vehicles and office trailers	253,265	248,761
Research and development equipment	---	160,308
Office equipment, furniture and fixtures	168,403	191,472
	1,699,656	1,851,031
Less accumulated depreciation and amortization	<1,136,029>	<1,153,726>
	563,627	697,305
OTHER ASSETS		
Intangibles, net of accumulated amortization	543,904	580,164
Deposits and other	---	5,292
	543,904	585,456
	$ 1,687,977	$ 1,860,347

LIABILITIES AND SHAREHOLDERS' EQUITY

	February 28, 1992	May 31, 1991
CURRENT LIABILITIES		
Notes payable - Bank secured	$ 137,785	$ ---
Notes payable Shareholder	415,000	250,000
Accounts payable	928,699	360,604
Accrued liabilities	101,313	84,896
Current portion of long-term debt	45,525	73,054
Other	---	13,959
Total current liabilities	1,628,322	782,513
LONG-TERM DEBT	76,956	18,933
INCOME TAX PAYABLE	175,000	175,000
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common stock, no par value; 100,000,00 shares authorized; 21,716,530 and 21,188,530 shares issued and outstanding	13,078,791	13,012,790
Additional paid-in capital	242,197	242,197
Accumulated deficit	<13,513,287>	<12,371,086>
	< 192,301>	883,901
	$ 1,687,977	$ 1,860,347

The accompanying note is an integral part of these financial statements.

PERIPHERAL SYSTEMS, INC.
CONSOLIDATED STATEMENT OF OPERATIONS

	For the Nine Months Ended February 28		For the Three Months Ended February 28,	
	1992	1991	1992	1991
Sales	$ 2,120,561	$ 2,042,652	$ 673,502	$ 523,385
Costs and Expenses:				
Cost of Sales	1,359,363	1,357,013	427,866	436,075
Selling, general and administration	996,846	1,798,970	215,338	529,505
Research and Development	109,702	363,172	63,734	126,851
Total Costs and Expenses	2,465,911	3,519,155	706,938	1,092,431
Operating Loss	< 345,350>	<1,476,503>	< 33,436>	< 569,046>
Other Income (Expense)				
Interest income	---	52,524	---	7,016
Interest expense	< 52,158>	< 18,539>	< 18,913>	< 3,070>
Minority interest in net loss	< 197,052>	150,000	< 120,419>	---
Other net	---	24,330	---	< 4,415>
Total Other Income (Expense)	< 249,210>	208,315	< 139,332>	< 469>
Extraordinary Charge	< 547,641>	---	< 547,641>	---
Loss from continuing operation	<1,142,201>	<1,268,188>	< 720,459>	< 569,515>
Loss from operations of discontinued business	---	< 451,075>	---	< 150,122>
Loss on disposal of discontinued operations	---	<1,210,000>	---	20,000
Net Loss	$<1,142,201>	$<2,929,263>	$< 720,459>	$< 699,637>
Loss per share from continuing operations	$ .05	$ <.06>	$ .03	$ .03
Loss per share from discontinued business	---	<.08>	---	---
Net loss per share	$ .05	$ <.14>	$ .03	$ .03
Weighted Average Shares Outstanding	22,715,486	20,702,974	22,716,530	20,788,530

The accompanying note is an integral
part of these financial statements.

PERIPHERAL SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE QUARTERS ENDING FEBRUARY 1992, AND FEBRUARY 1991
(Unaudited)

	For the Nine Months Ended February 28,		For the Three Months Ended February 28,	
	1992	1991	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	$<1,147,201>	$<2,939,263>	$< 720,459>	$< 699,637>
Adjustments to reconcile net loss to net cash used by operating activities:				
Depreciation & Amortization	168,388	339,816	48,817	107,950
Non Cash Contribution to ESOP	---	25,000	---	---
Payment of Expense with Stock	---	76,600	---	---
Writedown of assets & intangibles	---	1,193,445	---	186,803
<Gain>Loss on sale of fixed assets	126,594	< 20,231>	126,594	---
Minority interest in net loss	---	< 150,000>	---	---
(Increase) decrease in assets:				
Accounts Receivable	< 77,033>	253,051	117,000	65,696
Inventories	---	9,759	---	---
Prepaid Expenses	< 80,056>	< 10,516>	22	9,322
Other Assets	5,293	3,870	6,198	< 1,253>
Increase (decrease) in liabilities:				
Accounts Payable	568,095	< 69,907>	375,214	< 51,196>
Accrued Expenses	16,417	< 93,332>	6,330	< 34,781>
Other Liabilities	< 18,104>	< 4,304>	< 18,104>	< 5,652>
Short Term Borrowings	275,256	---	27,353	< --- >
Net cash used by operating activities	< 160,152>	<1,356,010>	< 33,035>	< 424,954>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of property, plant and equipment				
Sale of property, plant and equipment	< 118,901>	< 150,889>	11,061	< 29,105>
<Increase> Decrease in assets:				
Investment in Silver	66,478	13,751	---	4,416
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Restricted Cash	---	225,000	---	---
Net assets of discontinued operations	---	70,286	---	37,197
Net cash provided (used) by investing activities	< 69,563>	256,294	13,921	41,902
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issuance of common stock	66,000	---	---	---
Collection of notes receivable for stock	---	500,000	---	---
Long term financing	58,023	< 80,159>	---	< 13,286>
Net cash provided by financing activities	124,024	419,841	---	< 13,286>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	< 105,691>	< 679,875>	< 19,114>	< 396,338>
CASH AND CASH EQUIVALENTS, BEGINNING OF QUARTER	133,326	807,454	46,749	523,917
CASH AND CASH EQUIVALENTS, END OF QUARTER	$ 27,635	$ 127,579	$ 27,635	$ 127,579

The accompanying note is an integral part of these financial statements.

PERIPHERAL SYSTEMS, INC.

NOTE TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Business, Operations and Consolidation Policies - The consolidated financial statements include the accounts of Peripheral Systems, Inc. (the "Company"), its wholly-owned subsidiary X-Ray, Inc. ("X-Ray") and its majority-owned subsidiary Nucell, Inc. ("Nucell"). All significant intercompany balances and transactions have been eliminated. The Company was a development stage enterprise from its inception, October 31, 1983, until it acquired 55% of X-Ray on May 31, 1986. The balance of X-Ray was acquired July 1, 1986. X-Ray operates primarily in the nondestructive testing industry and experiences variations in the level of its operations resulting from the timing of contracts. Nucell, acquired on June 27, 1988 and now 50.8% owned, is a development stage company devoted to research and development of a low wattage battery fueled by radioactive materials, named the ionic cell. Peak Beam Systems, Inc. and TrySis, Inc., former subsidiary companies, are shown as discontinued operations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted and, accordingly, the financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1991. The financial statements reflect all adjustments which are, in the opinion of management, necessary to present fairly the financial position and results of operations for the periods herein reported. Certain reclassifications of the unaudited prior period financial statements have been made to conform with current presentations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (Unaudited)

At February 28, 1992, the Company operations consisted of Peripheral Systems, Inc. and subsidiaries, 100% owned X-Ray, Inc. and 50.8% owned Nucell, Inc. The operating subsidiaries are engaged in two primary business segments. X-Ray is involved in nondestructive testing of materials and Nucell in the development of unique power sources employing radioactive emission materials. Nucell's activities were substantially scaled down during the first Quarter pending additional funding. In September, 1991, Nucell obtained additional funding and has reactivated its development program. In September the Company entered into a Stock Purchase Agreement with Nucell Energy Canada, Inc. wherein the Company would acquire substantially all the remaining outstanding shares of Nucell, Inc. in an Stock Exchange Agreement. In December, Nucell Energy, Canada, Inc. approved the Stock Exchange Agreement. In January due to lack of funding the development program for ionic battery was temporarily suspended. Nucell entered into a licensing agreement with Isogen, Inc. for the continued development of the RNB technology and sold its facilities to Isogen.

LIQUIDITY AND CAPITAL RESOURCES

The Company, at February 28, 1992 is under severe liquidity constraints. Working capital has decreased $529,789 to a negative $1,047,876 during the Quarter. The quarterly decrease in working capital was caused by the extraordinary charge to income for a Put/Call Option exercised by a major shareholder of $400,000.00.

X-Ray is able to sustain its own operational and capital requirements, while Nucell needs to continue its own outside capital procurement program necessary to complete the next stage in the ionic cell development. Peripheral itself needs and is pursuing funding sources available to sustain its reduced activity level and to correct its current working capital deficit.

RESULTS OF OPERATIONS

Sales for the Company during the Quarter increased $150,117 or 28.7% when compared to the first Quarter of fiscal 1991.

Costs of sales of $427,866 in the Quarter resulted in gross margin of 36% compared favorably to the 16% gross margin on the Third Quarter of 1991.

Selling, general and administrative decreased 59% compared to the third Quarter 1991. This was caused by a major reduction in salaries, benefits and marketing expenses

Research and development expenses were lower due to Nucell's development program curtailment caused by funding limitations.

PERIPHERAL SYSTEMS, INC.

PART II

Item 4. Submission of Matters to a Vote of Security Holders

The annual meeting of the shareholders of Peripheral Systems, Inc. (the "Company") was held on November 15, 1991 for the following purpose.

1. Electing a Board of Directors to service for the ensuing year and until their successors are elected.

The directors of the Company were elected at the annual meeting to serve until the next annual meeting of shareholders and until their respective successors are elected and qualified. The directors elected to serve for the ensuing year are as follows:

Ralph E. Carp

Lowell H. Dicke

Clifford E. Sawyer

In December the following additional directors of the Company were elected:

Michael Lavigne

Michael MacPherson

Magdi Fahim

George B. Maitland

In January 1992, Lowell H. Dicke and Clifford E. Sawyer resigned their positions as directors and in March Ralph E. Carp also resigned his position.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits. None

(b) Reports on Form 8-K. None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PERIPHERAL SYSTEMS, INC.
(Registrant)

Date 6/3/92

By George B. Maitland
George B. Maitland, President
and Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION

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Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR QUARTER ENDED May 31, 1992

Commission File # 1-9004

A.J. ROSS LOGISTICS, INC.

(Exact name of registrant as specified in its charter)

NEW JERSEY	22-2094249
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Bayview Avenue, Keasbey, New Jersey	08832
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code (908) 738-4800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES x NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 10, 1992
Common stock, par value $.001	13,193,778

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A.J. ROSS LOGISTICS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

ASSETS	May 31, 1992 (Unaudited)	August 31, 1991
CURRENT ASSETS:		
Cash	$2,137	$9,137
Accounts receivable, net of allowance for doubtful accounts of $2,168,811 and $500,000 at May 31, 1992 and August 31, 1991, respectively	4,301,630	7,671,504
Inventories	447,658	1,752,106
Assets held for sale	880,000	1,702,136
Prepaid expenses and other current assets	448,969	613,829
TOTAL CURRENT ASSETS	6,080,394	11,748,712
PROPERTY, PLANT & EQUIPMENT, NET	2,138,497	4,528,387
OTHER ASSETS:		
Receivables from officers	510,546	883,546
Notes receivable	200,000	800,000
Other	194,100	364,070
	$9,123,537	$18,324,715

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)

	May 31, 1992 (Unaudited)	August 31, 1991
CURRENT LIABILITIES:		
Loans payable - demand	$0	$3,613,520
Current portion of long-term debt	584,584	2,050,161
Accounts payable	6,419,677	6,116,199
Accrued liabilities	1,310,346	1,006,321
TOTAL CURRENT LIABILITIES	8,314,607	12,786,201
LONG TERM DEBT	4,440,329	26,362
DEFERRED GAIN	387,500	1,062,500
DEFERRED INCOME TAXES	0	4,513
	13,142,436	13,879,576
STOCKHOLDERS' EQUITY (DEFICIENCY):		
Common stock, $.001 par value: Authorized, 20,000,000 shares Issued, 13,193,778 shares at May 31, 1992 and 13,193,778 at August 31, 1991	13,193	13,193
Additional paid-in capital	4,954,404	4,954,404
Accumulated deficit	(8,981,496)	(517,458)
	(4,013,899)	4,450,139
Less treasury stock, 750 shares, at cost	5,000	5,000
	(4,018,899)	4,445,139
	$9,123,537	$18,324,715

See notes to consolidated financial statements

A.J. ROSS LOGISTICS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MAY 31.

	Unaudited	
	1992	1991
Revenues	$4,276,157	$8,487,148
Expenses:		
Operating	4,364,798	7,176,915
Selling, general and administrative	924,979	704,305
Provision for bad debt	3,320,980	325,000
Interest expense	175,923	184,235
Depreciation and amortization	150,754	238,500
	8,937,434	8,628,955
(Loss) from operations before other income (expenses)	(4,661,277)	(141,807)
Other income and expenses:		
Write down of assets	(2,602,121)	0
Restructuring costs	(170,757)	0
Loss on the sale of assets	0	(5,880)
	(2,772,877)	(5,880)
(Loss) before (benefit) from income taxes	(7,434,154)	(147,687)
Provision for (Benefit) from income taxes	52,250	(56,584)
(Loss) before extraordinary items	(7,486,404)	(91,103)
Extraordinary loss (net of income tax benefit)	0	99
	($7,486,404)	($91,202)
Net (loss) per share before extraordinary item	($0.57)	($0.01)
Net (loss) per share	($0.57)	($0.01)
Weighted average number of common shares and common equivalent shares	13,193,778	13,402,111

See notes to consolidated financial statements

A.J. ROSS LOGISTICS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED MAY 31,

	Unaudited	
	1992	1991
Revenues	$16,192,840	$21,974,386
Expenses:		
Operating	15,176,710	18,323,748
Selling, general and administrative	1,947,142	1,904,130
Provision for bad debt	3,545,635	475,000
Interest expense	549,073	681,902
Depreciation and amortization	452,262	749,040
	21,670,822	22,133,820
(Loss) from operations before other income (expenses)	(5,477,982)	(159,434)
Other income and expenses:		
Write down of assets	(2,602,121)	0
Restructuring costs	(338,918)	0
Gain on the sale of assets	2,719	1,694,120
	(2,938,319)	1,694,120
(Loss) income before (benefit from) provision for income taxes	(8,416,301)	1,534,686
Provision for income taxes	47,737	578,332
(Loss) income before extraordinary items	(8,464,038)	956,354
Extraordinary loss (net of income tax benefit)	0	111,001
	($8,464,038)	$845,353
Net (loss) income per share before extraordinary item	($0.64)	$0.07
Net (loss) income per share	($0.64)	$0.06
Weighted average number of common shares and common equivalent shares	13,193,778	13,402,111

See notes to consolidated financial statements

A.J. ROSS LOGISTICS, INC. AND SUBIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED MAY 31,

	Unaudited	
	1992	1991
Cash provided (used) by operating activities:		
Net (loss) income	($8,464,038)	$845,253
Adjustments to reconcile net (loss) income to cash provided (used) by operating activities:		
Depreciation and amortization	452,262	749,040
Gain on the sale of assets	(2,719)	(1,694,120)
Write down of assets	2,602,121	
Amortization of deferred gain	(675,000)	(512,500)
Deferred income taxes	(4,513)	511,147
Changes in:		
Accounts receivable	3,369,874	833,756
Inventories	444,635	130,762
Prepaid expenses and other current assets	189,460	(267,613)
Other assets	85,926	(154,692)
Accounts payable	303,478	(9,552,153)
Accrued liabilities	304,025	330,460
Total adjustments	7,069,548	(9,625,913)
Net cash (used in) operating activities	(1,394,490)	(8,780,660)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(25,235)	(423,566)
Proceeds from the sale of assets	1,704,855	15,880,708
Cash provided by investing activities	1,679,620	15,457,142
CASH FLOWS FROM FINANCING ACTIVITIES		
Receivables from Officers	373,000	5,958
Loans payable–demand	986,480	(872,997)
Long–term debt	(1,651,610)	(5,809,443)
Cash (used in) financing activities	(292,130)	(6,676,482)
INCREASE/(DECREASE) IN CASH	(7,000)	0
CASH, beginning of year	9,137	9,137
CASH, end of the period	$2,137	$9,137
a) Cash paid during the year for:		
Interest	$508,073	$630,684

See notes to consolidated financial statements

A.J. ROSS LOGISTICS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 1992
(Unaudited)

(1) INTERIM FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to quarterly reports on Form 10-Q. Accordingly, certain information and footnote data necessary for fair presentation of financial position and results of operations in conformity with generally accepted accounting principles have been condensed or omitted. It is therefore suggested that these financial statements be read in conjunction with the summary of significant accounting policies and notes to financial statements included in the Company's form 10-K for the fiscal year ended August 31, 1991. The results of operations for the three month and/or the nine month period are not necessarily indicative of the results for the full year.

The interim consolidated financial statements presented herein reflect all adjustments, (which include only normal recurring adjustments), which in the opinion of management, are necessary for a fair presentation of financial position and results of operations for the three months and nine month periods ended May 31, 1992 and May 31, 1991.

(2) LINE OF CREDIT

On June 12, 1992, the Company executed an agreement with The Bank of New York providing for the conversion of a presently outstanding revolving loan in the amount of $4,600,000 into a two year term loan of equal amount. Further, The Bank of New York has committed, through November 1992, on a revolving loan basis and upon certain conditions, make available an additional $425,000 to the Company. Additionally, the Company has negotiated a reduction in its interest rate from prime plus 4% to prime plus 1.5% as part of the financing.

(3) STOCK OPTIONS

The President of the Company, subject to Board of Directors' approval has been authorized to grant employee stock options for approximately 750,000 shares and non-qualified options for approximately 200,000 shares pursuant to the Company's incentive stock option plan (the "Plan"). None of these options have been exercised to date.

(4) ASSETS HELD FOR SALE

During the quarter ended May 31, 1992, as part of a restructuring program the Company offered for sale certain inventory and equipment not related to its rebar business. The Company wrote down such assets to $880,000 resulting in a charge to earnings of $1,942,677.

During the year ended August 31, 1991, the Company offered for sale various under- utilized construction related machinery and equipment. In October 1991, such assets were sold resulting in proceeds of $1,702,136 net of selling expenses of $146,805. Proceeds from the sale were used to retire long-term debt due to a bank and capitalized lease obligations. During the fourth quarter of fiscal 1991, the Company wrote down such assets to their net selling price, resulting in a pre-tax charge to earnings of $1,083,232.

A.J. ROSS LOGISTICS, INC. AND SUBSIDIARY
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES:

On June 12, 1992, the Company executed an agreement with The Bank of New York providing for the conversion of a presently outstanding revolving loan in the amount of $4,600,000 into a two year term loan of equal amount. Further, The Bank of New York has committed, through November 1992, on a revolving loan basis and upon certain conditions, make available an additional $425,000 to the Company. Additionally, the Company has negotiated a reduction in its interest rate from prime plus 4% to prime plus 1.5% as part of the financing.

Commencing in February 1992, the Company implemented a restructuring program which included substantial reduction in personnel costs and discontinuation of all operations not directly related to the sale of rebar and divestiture of all assets connected therewith. Restructuring charges, including write down of assets, related directly to divesture approximated $2,941,000 through May 31, 1992.

With the restructuring, the Company will become solely a rebar fabricator. Historically, rebar fabrication has been its most consistent and profitable operation. Concentrating on rebar fabrication, the Company intends to capitalize on its dominant market share and superior service reputation in the New York and New Jersey markets. With the divestiture of its non-rebar operations, the Company will realize a significant reduction in its overhead cost structure which should lead to improving financial results and increasing market share.

Management believes that the implementation of the measures indicated above will contribute to profitability, further reduce interest bearing indebtedness, and eliminate the working capital deficiency. In addition, management believes that such measures will generate sufficient cash flows to meet its financial needs in fiscal 1992. There are no material capital spending requirements anticipated over the next twelve months.

RESULTS OF OPERATIONS: Quarter Ended May 31, 1992

Revenues decreased by 49.6% from $8,487,148 for the quarter ended May 31, 1991 to $4,276,157 for the quarter ended May 31, 1992. This is primarily due to the impact of the current softness in the economic climate especially realized by the construction industry.

Operating expenses as a percentage of revenues for the quarter ended May 31, 1992 increased from 84.6% in 1991 to 102.1% in 1992. This increase is primarily due to fixed operating expenses being spread over lower sales dollars and a decline in gross margins in the Company's operations, which is the result of increased competition for fewer projects.

Selling, general and administrative expenses for the quarter ended May 31, 1992, increased from $704,305 in 1991 to $924,979 in 1992. This increase is relatively insignificant.

During the quarter ended May 31, 1992, the Company incurred bad debts of approximately $3,321,000 substantially related to two of its major financial debtors which were beset with financial difficulties.

Restructuring charges, including the write down of assets, incurred for the quarter ended May 31, 1992 approximated $2,773,000 as compared to $0 in 1991.

Interest expense for the quarter ended May 31, 1992, decrease from $184,235 in 1991 to $175,923 in 1992. This decrease is relatively insignificant.

The loss before extraordinary items increased from $91,103 for the quarters ended May 31, 1991 to $7,486,404 for the quarter ended May 31, 1992. This loss is directly attributable to the increase in bad debts and restructuring charges, including the write down of assets. Current softness in the economy, fixed operating expenses being spread over lower sales dollars and a decline in gross margins in the Company's operations, has also contributed to such loss.

RESULTS OF OPERATIONS: Nine Months Ended May 31, 1992

Revenues decreased by 26.3% from $21,974,386 for the nine months ended May 31, 1991 to $16,192,840 for the nine months ended May 31, 1992. This is primarily due to the impact of the current softness in the economic climate especially realized by the construction industry.

Operating expenses as a percentage of revenues for the nine months ended May 31, 1992 increased from 83.4% in 1991 to 93.7% in 1992. This increase is primarily due to fixed operating expenses being spread over lower sales dollars and a decline in gross margins in the Company's operations, which is the result of increased competition for fewer projects.

Selling, general and administrative expenses for the nine months ended May 31, 1992, increased from $1,904,103 in 1991 to $1,947,142 in 1992. This increase is relatively insignificant.

During the nine months ended May 31, 1992, the Company incurred bad debt expenses of approximately $3,546,000 substantially related to two of its major financial debtors which were beset with financial difficulties.

Restructuring charges, including the write of assets, incurred through May 31, 1992 approximated $2,941,000 as compared to $0 in 1991.

Interest expense for the nine months ended May 31, 1992, decreased from $681,902 in 1991 to $549,073 in 1992. This reduction is primarily due to lower average loan balances, resulting from asset sales, and cash flows generated from reductions in accounts receivable and inventory.

The loss from operations increased from $159,434 for the nine months ended May 31, 1991 to $5,477,982 for the nine months ended May 31, 1992. This loss is a direct attributable to the increase in bad debts. Current softness in the economy, fixed operating expenses being spread over lower sales dollars and a decline in gross margins in the Company's operations, also contributed to such loss.

Net loss for the nine months ended May 31, 1992, was $8,464,038 as compared to net income of $845,353 for the nine months ended May 31, 1991. Net loss for the nine months ended May 31, 1992, was directly attributable to the increase in bad debts and restructuring charges, including the write down of assets. Current softness in the economy, fixed operating expenses being spread over lower sales dollars and a decline in gross margins in the Company's operations, also contributed to such loss. Net income for the nine months ended May 31, 1991 was primarily attributable to a pre-tax gain of $1,700,000 on the sale by the Company of its real property and buildings, offset by an extraordinary loss (net of income tax benefit) of $111,001 from the early extinguishment of debt.

Part II

Other Information

Item 1 - Legal Proceedings

None.

Item 2 - Changes in Securities

None.

Item 3 - Defaults Upon Senior Securities

None.

Item 4 - Submission of Matters to a Vote of Security Holders

None.

Item 5 - Other Information

Thomas Petrizzo tendered his resignation as President and Chief Operating Officer of the Company, effective June 1, 1992.

The Board of Directors appointed John E. Gray as Chief Operating Officer of the Company, effective June 1, 1992.

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

A.J. ROSS LOGISTICS, INC. AND SUBSIDIARY
(Registrant)

Dated July 13, 1992

By:s/n: John E. Gray
John E. Gray
Chief Operating Officer and
Chief Financial Officer

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended February 29, 1992

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission File Number 0-10023

APR 20 1992

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PROCESSED BY
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APR 30 | 1992

SUDBURY, INC.
(Exact name of Registrant as specified in its Charter)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Delaware
(State or other jurisdiction of
incorporation or organization)

34-15
(I.R.S. Employer Identification No.)

25300 Science Park Drive, Suite 250
Cleveland, Ohio 44122
(Address of Principal Executive Office) (Zip Code)

Registrant's Telephone Number, including Area Code: (216) 464-7026

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Indicate the number of shares outstanding of each of the Issuer's classes of Common Stock, as of February 29, 1992.

Common Stock, $0.01 Par Value	13,106,796
Class	Number of Shares

RECD S.E.C.
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158

Total Pages - 24

Exhibit Index - Page 21

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SUDBURY, INC. AND SUBSIDIARIES

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PART I, ITEM 1 - FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS

SUDBURY, INC. AND SUBSIDIARIES

ASSETS

(Dollars in thousands)	FEBRUARY 29, 1992 (UNAUDITED)	MAY 31, 1991 (AUDITED)
CURRENT ASSETS		
Cash	$ 4,269	$ 13,111
Accounts receivable, net of allowance	10,274	44,192
Refundable federal income taxes		3,376
Inventories:		
Finished products and work in process	6,710	24,852
Raw materials and supplies	5,170	17,021
	11,880	41,873
Prepaid expenses and other	1,861	5,012
TOTAL CURRENT ASSETS	28,284	107,564
PROPERTY, PLANT AND EQUIPMENT		
Land and land improvements	1,282	3,782
Buildings	9,658	37,188
Machinery and equipment	32,440	100,006
	43,380	140,976
Less accumulated depreciation	15,682	45,020
TOTAL PROPERTY, PLANT AND EQUIPMENT	27,698	95,956
OTHER ASSETS		
Intangibles arising from business acquisitions	7,187	11,874
Deferred charges		4,358
Investment in and note receivable from joint venture	9,649	9,556
Net assets of businesses held for sale	73,530	4,183
Intangible pension asset		1,008
Investments and other assets	1,412	2,572
TOTAL OTHER ASSETS	91,778	33,551
TOTAL ASSETS	$147,760	$237,071

See notes to condensed consolidated financial statements.

PART I, ITEM 1 - FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS - (CONTINUED)

SUDBURY, INC. AND SUBSIDIARIES

LIABILITIES AND STOCKHOLDERS' DEFICIT

(Dollars in thousands, except share data)	FEBRUARY 29, 1992 (UNAUDITED)	MAY 31, 1991 (AUDITED)
CURRENT LIABILITIES		
Trade accounts payable	$ 4,100	$ 20,301
Accrued compensation and employee benefits	4,350	15,416
Accrued interest	525	4,218
Contingent payments to former owners of acquired businesses		1,584
Income taxes	914	613
Environmental reserves	8,106	8,162
Other accrued expenses	8,540	21,379
Current maturities of long-term debt	40,820	155,014
TOTAL CURRENT LIABILITIES	67,355	226,687
DEFERRED INCOME TAXES	1,394	1,394
ACCRUED PENSION COSTS		1,008
LONG-TERM DEBT	39,226	8,405
LIABILITIES DEFERRED PURSUANT TO PROCEEDINGS UNDER CHAPTER 11	86,990	
STOCKHOLDERS' DEFICIT		
Serial Preferred Stock - par value $0.01 per share; authorized 5,000,000 shares; outstanding - 94,535 shares at February 29, 1992 and May 31, 1991 (liquidation value $11,030 at February 29, 1992)	7,563	7,563
Common Stock - par value $0.01 per share; authorized 30,000,000 shares; outstanding 13,106,796 shares	131	131
Additional paid-in capital	57,509	57,509
Deficit	(112,408)	(65,626)
TOTAL STOCKHOLDERS' DEFICIT	(47,205)	(423)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$147,760	$237,071

See notes to condensed consolidated financial statements.

PART I, ITEM 1 - FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

SUDBURY, INC. AND SUBSIDIARIES

	THREE MONTHS ENDED	
	FEBRUARY 29, 1992 (UNAUDITED)	FEBRUARY 28, 1991 (UNAUDITED)
(Dollars in thousands, except per share)		
Net sales:		
Continuing operations	$ 19,159	$ 20,187
Businesses held for sale	62,539	64,977
Total	81,698	85,164
Costs and expenses:		
Costs of products sold:		
Continuing operations	15,507	18,975
Businesses held for sale	57,478	63,264
Total	72,985	82,239
Selling and administrative expenses:		
Continuing operations	4,210	11,063
Businesses held for sale	6,739	9,593
Total	10,949	20,656
Special charges	31,339	44,126
OPERATING LOSS	(33,575)	(61,857)
Interest expense	(2,507)	(4,012)
Interest income	21	499
Loss before income taxes	(36,061)	(65,370)
Income tax expense (benefit)	36	(14,249)
NET LOSS	(36,097)	(51,121)
Preferred stock dividend requirement	64	169
NET LOSS APPLICABLE TO COMMON STOCK	$(36,161)	$(51,290)
Net loss per share:		
Primary and fully diluted	$ (2.76)	$ (3.97)
Weighted average number of outstanding shares of Common Stock (in thousands):		
Primary and fully diluted	13,107	12,924

See notes to condensed consolidated financial statements.

PART I, ITEM 1 - FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

SUDBURY, INC. AND SUBSIDIARIES

	NINE MONTHS ENDED	
	FEBRUARY 29, 1992 (UNAUDITED)	FEBRUARY 28, 1991 (UNAUDITED)
(Dollars in thousands, except per share)		
Net sales:		
Continuing operations	$ 68,836	$ 69,593
Businesses held for sale	193,823	218,365
Total	262,659	287,958
Costs and expenses:		
Costs of products sold:		
Continuing operations	56,409	61,107
Businesses held for sale	174,628	198,406
Total	231,037	259,513
Selling and administrative expenses:		
Continuing operations	13,846	20,526
Businesses held for sale	19,961	25,098
Total	33,807	45,624
Special charges	34,726	44,126
OPERATING LOSS	(36,911)	(61,305)
Interest expense	(9,844)	(12,103)
Interest income	81	790
Loss before income taxes	(46,674)	(72,618)
Income tax expense (benefit)	108	(16,191)
NET LOSS	(46,782)	(56,427)
Preferred stock dividend requirement	348	507
NET LOSS APPLICABLE TO COMMON STOCK	$(47,130)	$(56,934)
Net loss per share:		
Primary and fully diluted	$ (3.60)	$ (4.42)
Weighted average number of outstanding shares of Common Stock (in thousands):		
Primary and fully diluted	13,107	12,878

See notes to condensed consolidated financial statements.

PART I, ITEM 1 - FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

SUDBURY, INC. AND SUBSIDIARIES

	NINE MONTHS ENDED	
	FEBRUARY 29, 1992 (UNAUDITED)	FEBRUARY 28, 1991 (UNAUDITED)
	(In thousands)	
OPERATING ACTIVITIES:		
Net loss	$(46,782)	$(56,427)
Items included not affecting cash:		
Depreciation and amortization	3,215	12,756
Deferred taxes and other	(308)	(8,757)
Special charges	30,240	44,126
Changes in operating assets and liabilities	8,810	8,067
Businesses held for sale - net activity	2,968	
NET CASH USED IN OPERATING ACTIVITIES	(1,857)	(235)
INVESTING ACTIVITIES:		
Property, plant and equipment additions:	(855)	(4,276)
Contingent payments to former owners of acquired businesses	(1,052)	(2,392)
Proceeds from sale of businesses	273	
Businesses held for sale - property, plant and equipment additions	(2,305)	
NET CASH USED IN INVESTING ACTIVITIES	(3,939)	(6,668)
FINANCING ACTIVITIES:		
Borrowings, refinancings and repayments:		
Short and long-term borrowings		45,974
Reductions of debt	(2,413)	(38,051)
Issuance of common stock		146
Businesses held for sale - reductions of debt	(633)	
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(3,046)	8,069
DECREASE IN CASH	(8,842)	1,166
Cash at beginning of year	13,111	3,475
CASH AT END OF PERIOD	$ 4,269	$ 4,641
Cash paid during the period		
- Interest	$ 5,853	$ 10,679
- Income taxes	91	184

See notes to condensed consolidated financial statements.

PART I, ITEM 1 - FINANCIAL STATEMENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SUDBURY, INC. AND SUBSIDIARIES

NOTE A — PROCEEDINGS UNDER CHAPTER 11

On January 10, 1992 (the "Petition Date"), the Company filed a Voluntary Petition for Reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Ohio, Eastern Division, in Cleveland, Ohio (the "Bankruptcy Court"), and the Company is currently operating its business as a "debtor-in-possession" subject to the supervision of the Bankruptcy Court. It is currently contemplated that the subsidiaries of the Company will not file for protection under Chapter 11 of the Bankruptcy Code. The Chapter 11 filing was made to implement an agreement in principle reached by and among the Company, certain subordinated creditors and the Company's bank group, which is more fully discussed in Note C below.

As of the Petition Date, litigation against the Company is stayed and pre-petition indebtedness and other contractual obligations may not be enforced against the Company. In addition, the Company may reject pre-petition executory contracts and lease obligations, and parties affected by these rejections may file claims with the Bankruptcy Court. An unsecured creditors committee has been formed, and it is expected to participate in the reorganization process. Substantially all liabilities as of the Petition Date will be dealt with in accordance with a plan of reorganization which will be voted upon by classes of creditors and equity holders and submitted for approval to the Bankruptcy Court.

The accompanying consolidated financial statements have been prepared on a going concern basis which contemplates continuity of certain operations, realization of assets and liquidation of liabilities in the ordinary course of business. However, as a result of the Chapter 11 filing, such realization of assets and liquidation of liabilities are subject to uncertainty. While under the protection of Chapter 11, the Company may sell or otherwise dispose of assets and liquidate or settle liabilities at amounts other than those reflected in the consolidated financial statements. Further, a plan of reorganization could materially change the amounts and classifications reported in the consolidated historical financial statements, which do not give effect to any adjustment to the carrying value of assets or amounts of liabilities that might be necessary as a consequence of a plan of reorganization. The appropriateness of using the going-concern basis is dependent upon, among other things, confirmation of a plan of reorganization and the Company's ability to comply with its Cash Collateral Order and to maintain its debtor-in-possession financing as described in Note C below.

NOTE B — BASIS OF PRESENTATION

The condensed consolidated financial statements as of and for the three-month and the nine-month periods ended February 29, 1992 have not been audited. In the opinion of management, such condensed consolidated financial statements reflect all adjustments necessary for a fair presentation, subject to these notes. For further information, refer to the consolidated financial statements and footnotes thereto included with the Company's annual report on Form 10-K for the year ended May 31, 1991. Certain amounts for May 31, 1991 have been combined or reclassified to conform with the February 29, 1992 classifications.

NOTE C — RESTRUCTURING

Since January 1991, the Company has been attempting to implement a financial restructuring. On January 10, 1992 the Company reached an agreement in principle (the "Restructuring Agreement") with its bank group and certain of its major subordinated creditors which forms the basis for a consensual restructuring. To implement the Restructuring Agreement, on January 10, 1992 the Company filed with the Bankruptcy Court a Voluntary Petition for Reorganization (of the Company only) under the provisions of Chapter 11 of the United States Bankruptcy Code. See Note A above.

As part of the Restructuring Agreement, the Company's bank group agreed to provide the Company with a debtor-in-possession credit facility (the "Credit Agreement") up to a maximum aggregate amount of $6 million. This Credit Agreement has been approved by the Bankruptcy Court and provides financing during the period the Company is in Chapter 11 in order to facilitate ongoing operations of the Company's businesses. The Company has affirmed the bank group's prior security interests, granted new security interests in substantially all of the Company's assets, and agreed to reduce its bank group obligations by $70 million by September 1993, largely through asset sales. In order to effect this indebtedness reduction, the Company intends to sell all but three of its businesses. See Note D.

Although the formal plan of reorganization has not been finalized, the Restructuring Agreement contemplates that once the Company emerges from bankruptcy proceedings, the Company's unsecured creditors will receive $10 million principal amount of new five-year subordinated notes and also will become owners of a significant majority of the new common equity of the Company. The Restructuring Agreement also contemplates that the current holders of preferred and common stock collectively would receive approximately 5% of new common equity, plus warrants to purchase additional new common equity (between 5% to 20%) in the event certain recovery levels for subordinated creditors are attained. Once the company emerges from bankruptcy proceedings, the Company's President and Chief Executive Officer, as part of his January 13, 1992 employment agreement, will receive five-year options to purchase (at nominal consideration) 10% of the Company's new common equity, and, if the fair market value of the Company exceeds certain targeted amounts on or before January 12, 1996, the right to purchase (at nominal consideration) an additional 5% of the Company's common equity plus additional significant cash consideration.

The Credit Agreement also requires that a plan of reorganization be confirmed by the Bankruptcy Court by September 30, 1992, or, subject to certain conditions, by November 20, 1992. However, the final form of any plan of reorganization is still uncertain, given the various constituencies involved, the other various claims to be resolved, the uncertainties surrounding the availability of sufficient cash to meet the Company's operating requirements and the ability to achieve the bank debt amortization schedule. If a restructuring substantially as now contemplated by the Restructuring Agreement cannot be achieved in this manner, the Company may be forced to consider other alternatives to resolve its current situation, which could involve some other form of reorganization or a liquidation of all of its assets.

NOTE D — BUSINESSES HELD FOR SALE

As a result of the Company's decision to sell all of its businesses other than Frisby Manufacturing, Industrial Powder Coatings and Iowa Mold Tooling Co., the balance sheets of the businesses intended to be sold have been condensed into the caption "Net Assets of Businesses Held for Sale" on the Company's February 29, 1992 balance sheet. The amount under this caption, $73,530,000, represents the following:

		(000's)
Accounts receivable		$ 41,291
Inventories		26,781
Prepaid expenses and other current assets		2,926
Property, plant and equipment - net		68,586
Other assets		6,578
	Total assets	146,162
Current liabilities		(34,383)
Long-term debt		(4,828)
Accrued pension costs		(1,008)
	Total liabilities	(40,219)
Reserves for loss on sales of businesses		(32,413)
Net assets of businesses held for sales		$ 73,530

The Company's statements of operations for the periods presented have also been restated to segregate net sales and related costs and expenses between continuing operations and businesses held for sale. Assuming successful completion of the asset sale program and related debt repayments, bank interest expense at current interest rates would be reduced by approximately $1,400,000 and $4,200,000 for the three month and nine month periods ended February 29, 1992, respectively.

The Company's statement of cash flows for the nine months ended February 29, 1992 also reflects this change with activity of the businesses held for sale being reported as a single line item in operating, investing and financing activities.

NOTE E — SPECIAL CHARGES

Included in the Company's operations for the three month and nine month periods ended February 29, 1992 were special charges of $31,339,000 and $34,726,000, respectively. Included in these amounts was a charge of $30,240,000 which was comprised of (a) $26,000,000 for reserves for potential losses on sales of businesses which are anticipated to be sold (b) $2,444,000 for the write-off of costs capitalized previously under the provisions of Statement of Financial Accounting Standards No. 96 "Accounting for Income Taxes" as they related principally to assets anticipated to be sold and (c) $1,796,000 for the write-off of deferred financing costs on the Company's bank and subordinated debt, which was deemed to have no ongoing value given the Company's Chapter 11 filing. The remainder of the special charges relates to consulting and other expenses incurred under the Company's restructuring program.

Special charges of $44,126,000 were recorded in the quarter ended February 28, 1991 and included $22,607,000 of write-downs of intangibles arising from business acquisitions where, in the opinion of management, the value of a business unit had been permanently impaired or it had been decided to sell the business unit and future realization of the related intangibles was doubtful. Also provided were charges of (a) $11,852,000 for the rationalization of certain of the Company's businesses where a decision had been made at that time to close down or consolidate an existing facility or discontinue a product line and (b) $8,067,000 for loss provisions anticipated to be realized for businesses which the Company then intended to sell. The remainder of the charges of $1,600,000 reflects a labor contract change to substitute lump sum retirement bonuses in lieu of future retiree health benefits at the Company's Decatur, Illinois foundry operation.

NOTE F — CURRENT MATURITIES OF LONG-TERM DEBT

Included in current maturities of long-term debt at February 29, 1992 are bank obligations of $40,000,000 due within one year pursuant to the Company's Credit Agreement. This amount, as well as an additional $37,900,000 owed to the bank group which is included in long-term debt, have not been included in the caption "Liabilities Deferred Pursuant to Proceedings Under Chapter 11" (see Note F) as the Credit Agreement which was confirmed by the Bankruptcy Court provides for the payment of these obligations.

NOTE G — LIABILITIES DEFERRED PURSUANT TO PROCEEDINGS UNDER CHAPTER 11

As of February 29, 1992 the following was included in the caption "Liabilities Deferred Pursuant to Proceedings Under Chapter 11":

	(000's)
Convertible subordinated debenture	$46,000
Subordinated notes	25,000
Accrued interest	8,003
Acquisition notes	3,720
Retroactive insurance claim reserves	2,347
Contingent payments to former owners of acquired businesses	1,075
Accounts payable	405
Other	440
TOTAL	$86,990

The Bankruptcy Court has authorized payments of pre-petition medical and workers' compensation claims which were obligations at the Sudbury corporate level and which, for the most part, relate to the employees of the Company's subsidiaries.

NOTE H — CONTINGENCIES

The Company and/or its subsidiaries are parties to a number of lawsuits and claims which arise out of the conduct of its business and include claims relating to commercial transactions, product liability, environmental issues, and safety and health matters. The Company believes it has established adequate reserves for such contingencies; however, given the Company's financial condition, there can be no assurance the Company and/or its subsidiaries will have the ability to fund such reserves if, and when, the underlying contingencies are reduced to liquidated claims to be paid. To the extent these claims are made against the Company, it expects them to be treated and discharged pursuant to the plan of reorganization submitted for approval by the Bankruptcy Court.

NOTE I — PREFERRED STOCK DIVIDENDS IN ARREARS

The Company's Serial Preferred Stock has a dividend arrearage of $1,596,000 ($.12 per share) of which $125,000 was previously declared. The payment of the preferred dividends declared is currently suspended pursuant to the Chapter 11 proceedings as well as under the terms of various debt instruments of the Company. Additionally, the dividends not declared are expected to be discharged without recovery pursuant to the plan of reorganization to be submitted for approval by the Bankruptcy Court.

PART I, ITEM 2, MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SUDBURY, INC. AND SUBSIDIARIES

RESULTS OF OPERATIONS

The following business segment information is presented as an aid to a better understanding of the operating results of the Company as a whole:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	02/29/92	02/28/91	02/29/92	02/28/91
		(000's)		
Net sales:				
Industrial Products	$ 54,667	$ 56,260	$170,770	$195,510
Equipment and Systems	27,031	28,904	91,889	92,448
	$ 81,698	$ 85,164	$262,659	$287,958
Operating income (loss):				
Industrial Products:				
Before special charges	$ 816	$ (3,799)	$ 4,813	$ (1,105)
Special charges		(18,367)		(18,367)
	816	(22,166)	4,813	(19,472)
Equipment and Systems:				
Before special charges	(1,752)	(6,529)	(1,933)	(5,994)
Special charges		(17,692)		(17,692)
	(1,752)	(24,221)	(1,933)	(23,686)
Summary:				
Before special charges	(936)	(10,328)	2,880	(7,099)
Special charges		(36,059)		(36,059)
Total	(936)	(46,387)	2,880	(43,158)
Corporate expenses	(1,300)	(7,403)	(5,065)	(10,080)
Corporate special charges	(31,339)	(8,067)	(34,726)	(8,067)
Interest expense	(2,507)	(4,012)	(9,844)	(12,103)
Interest income	21	499	81	790
Loss before income taxes	$(36,061)	$(65,370)	$(46,674)	$(72,618)

While the Company is not highly seasonal, it does traditionally show higher sales and operating performance during its second and fourth fiscal quarters.

PART I, ITEM 2, MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

SUDBURY, INC. AND SUBSIDIARIES

THREE MONTHS ENDED FEBRUARY 29, 1992 COMPARED WITH THREE MONTHS ENDED FEBRUARY 28, 1991

CONSOLIDATED. The Company's net sales in the third quarter of fiscal 1992 were $81.7 million as compared with $85.2 million in the third quarter of fiscal 1991. The net loss for the quarter was $36.1 million compared to a net loss of $51.1 million for the third quarter of fiscal 1991. Included in the net loss figures for fiscal 1992 and 1991 are special charges of $31.3 million and $44.1 million, respectively, which are comprised of the following:

	THREE MONTHS ENDED	
	February 29, 1992	February 28, 1991
	(000's)	
Reserves for loss on sales of businesses	$26,000	$ 8,067
Write-off of costs capitalized under Statement of Financial Accounting Standards No. 96 "Accounting for Income Taxes"	2,444	
Write-off of deferred financing costs	1,796	
Restructuring costs and expenses	1,099	
Write-off of intangibles		22,607
Business rationalization costs		11,852
Accrual for lump sum retirement bonuses in lieu of future retiree health benefits	———	1,600
TOTAL	$31,339	$44,126

The prior year results also reflect income tax benefits of $14.2 million as the Company utilized all of its net operating loss carrybacks in the prior year. The Company is currently in a loss carryforward position, however no tax benefits are being recorded due to uncertainty of their future recovery.

Corporate expenses decreased by $6.1 million from the prior year. This decrease was principally caused by the prior year's results including $3.6 million in increased insurance accruals, $.7 million in contingency accruals and $.3 million for operations consultants which were not incurred in the current period.

PART I, ITEM 2, MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

SUDBURY, INC. AND SUBSIDIARIES

The operating loss of the business segments exclusive of special charges decreased to $.9 million from $10.3 million in the third quarter of fiscal 1991. The primary reasons for the decline in sales and decrease in operating losses are described by each segment as follows:

INDUSTRIAL PRODUCTS SEGMENT. Net sales in this segment of $54.7 million decreased from $56.3 million recorded in the third quarter of the prior year. Significant changes in this segment were experienced at (a) the Company's Houston, Texas lubricant and chemical processing facility which had a $3.9 million decrease in sales due to the prior year's results having significant shipments to the Department of Defense, which was due partially to the Persian Gulf War, that did not repeat in the current year, (b) a $1.5 million decrease in sales at the Company's lubricant and grease business in St. Paul, Minnesota due to the sale of certain product lines and lost business, (c) a net $2.4 million increase in sales in the Company's foundry operations due to increased demand, and (d) a $2.2 million increase in sales at the Company's powder coating facility due to increased automotive production rates on their products and new business.

Operating income increased by $4.6 million, of which $3.2 million reflected the Company's Decatur, Illinois foundry operations which had improved profitability from cost reduction efforts, a renegotiated labor contract and increased sales. While the Company continues to suffer from low sales levels, it has generally been able to reduce the break-even levels of many of its businesses.

To a significant degree, the profitability of this segment is dependent on the domestic automotive industry. During the fourth quarter of fiscal 1992, sales and operating profits in the Company's automotive businesses are expected to improve slightly over third quarter levels. The Company believes the outlook of the automotive industry beyond the fourth quarter remains uncertain. The Company's machining businesses in this segment are also being impacted by reductions in the supplier base of its automotive customers.

EQUIPMENT AND SYSTEMS SEGMENT. Net sales in this segment of $27.0 million decreased from $28.9 million recorded in the third quarter of the prior year. This decrease was principally caused by declines in the Company's waste and material handling equipment businesses which continue to be impacted by sluggish construction and general economic activity. Partially offsetting these declines were three large machine tool orders which are being built by two of the Company's machine tool businesses to be used in NASA's new space shuttle program.

The operating loss of this segment decreased by $4.8 million due primarily to the prior year results including (a) $2.0 million of loss provisions for additional costs to complete long-term fixed price contracts at two units, (b) $1.7 million of reserves for uncollectible receivables, (c) $.4 million for payment to the U.S. Government in settlement of matters which occurred prior to the purchase of a subsidiary, and (d) $.6 million from various other loss provisions, as well as from reduced volume levels at the Company's waste and material handling equipment businesses discussed previously.

The profitability of this segment for the remainder of fiscal 1992 will be largely dependent on (a) the general economic conditions of the construction and waste-hauling industries and (b) the segment's ability to perform under long-term fixed price contracts. The Company believes that the outlook for the construction and waste-hauling industries for the remainder of fiscal 1992 remains uncertain. The Company expects no significant change on its performance on its long-term fixed price contracts.

NINE MONTHS ENDED FEBRUARY 29, 1992 COMPARED WITH NINE MONTHS ENDED FEBRUARY 28, 1991

CONSOLIDATED. The Company's net sales in the first nine months of fiscal 1992 were $262.7 million as compared with $288.0 million for the same period in fiscal 1991. The net loss for the period was $46.8 million compared to a net loss of $56.9 million for the same period in fiscal 1991. Special charges included in operating results for the nine month periods in fiscal years 1992 and 1991 were $34.7 million and $44.1 million, respectively. The principal portions of these charges were discussed previously under results for the quarter. The prior year also reflects an income tax benefit of $16.2 million.

Operating income of the business segments exclusive of special charges increased to $2.9 million from a loss of $7.1 million in the first nine months of fiscal 1991. The primary reasons for the decline in sales and increase in operating profits are described by each segment as follows:

INDUSTRIAL PRODUCTS SEGMENT. Net sales in this segment of $170.8 million decreased from $195.5 million recorded in the same period of the prior year. Significant changes in this segment occurred at (a) the Company's Houston, Texas lubricant and chemical processing facility which had a $8.5 million decrease in sales due to the prior year's results having significant shipments to the Department of Defense, which was due partially to the Persian Gulf War, that did not repeat in the current year and (b) a $7.2 million decrease in sales at the Company's lubricant and grease business in St. Paul, Minnesota due to the sale of certain product lines and lost business. Almost all of the remaining companies in this segment were negatively impacted by the current economic conditions, particularly those businesses serving the domestic automotive market, which is the principal market for this segment. Businesses serving the computer, appliance and aerospace markets also experienced decreases in sales during the period.

Operating income increased by $5.9 million, which reflected a $6.3 million increase in profitability at the Company's Decatur, Illinois foundry operations as a result of cost reductions, increased sales and a $.5 million benefit from the termination and settlement of one of its pension plans, which was partially offset by the impact of reduced sales volumes at other businesses.

EQUIPMENT AND SYSTEMS SEGMENT. Net sales in this segment decreased from $92.4 million to $91.9 million in the first nine months of fiscal 1992. After eliminating $4.6 million of the prior period's sales for a subsidiary which was sold in the prior year comparable sales increased by $4.1 million. This increase was principally caused by (a) three large machine tool orders which are being built by two of the Company's machine tool businesses to be used in NASA's new space shuttle program and (b) several large equipment orders received by the Company's material handling business in the first quarter of fiscal 1992 from customers who were involved in fighting the Kuwaiti oil fires in the wake of the Persian Gulf War. Partially offsetting these increases were declines in the Company's waste equipment businesses which continue to be impacted by sluggish construction and general economic activity.

The operating loss of this segment decreased by $4.1 million due principally to various loss provisions recorded in the third quarter of the prior year discussed previously.

LIQUIDITY AND CAPITAL RESOURCES

Since January 1991, the Company has been in the process of attempting to implement a financial restructuring. As part of that process, on January 10, 1992 the Company reached an agreement in principle (the "Restructuring Agreement") with its bank group and certain of its major subordinated creditors which forms the basis for a consensual restructuring. To implement the Restructuring Agreement, on January 10, 1992 the Company filed with the United States Bankruptcy Court a Voluntary Petition for Reorganization (of the Company only) under the provisions of Chapter 11 of the United States Bankruptcy Code. Prior to this filing, the Company was in default on its bank loan agreement for failure to make term loan payments totalling $12.9 million and to comply with most of its financial covenants. In addition, the Company was also in default with the majority of its subordinated creditors for failure to make interest and principal payments totalling $8.0 million. The Chapter 11 filing stays all litigation against the Company and prohibits the payment of Company obligations outstanding as of January 10, 1992.

As part of this Restructuring Agreement, the Company's bank group agreed to provide the Company with debtor-in-possession financing up to a maximum aggregate amount of $6 million, subject to borrowing base formulas (the "Credit Agreement"). All of the $6 million is currently available to the Company. The $6 million of debtor-in-possession financing will be reduced to $4 million on August 31, 1992 and to $2 million on October 5, 1992 and is scheduled to be fully repaid by December 18, 1992.

The Credit Agreement also calls for the reduction of current bank group obligations by $70 million by September 1993, to be accomplished largely through asset sales, with minimum amortization requirements of $5 million by June 1, 1992, $5 million by August 17, 1992, $10 million by October 5, 1992, $20 million by December 31, 1992, $20 million by May 31, 1993 and $10 million by September 30, 1993. There can be no assurance that the Company will effect asset sales in amounts as to satisfy such amortization requirements.

In order to meet the $70 million mandatory bank repayment obligations, the Company has decided to sell all of its businesses other than Frisby Manufacturing Co., Industrial Powder Coatings and Iowa Mold Tooling Co. The ability to retain these three businesses will be largely dependent on the generation of sufficient proceeds from the sale of its other businesses to repay bank indebtedness, which is uncertain at this time. In order to facilitate the asset sale program, the Company has engaged the services of several investment banks. Although no businesses have been sold to date, the Company is in substantive discussions with potential purchasers of several of its businesses. Depending on the Company's cash position, amortization payments potentially could be made by using existing cash and/or debtor-in-possession financing, although there can be no assurance in that regard.

Although the formal plan of reorganization has not been finalized, the Restructuring Agreement contemplates that once the Company emerges from bankruptcy proceedings, the Company's unsecured creditors will receive $10 million principal amount of new five-year subordinated notes and also will become owners of a significant majority of the new common equity of the Company. The Restructuring Agreement also contemplates that the current holders of preferred and common stock collectively would receive approximately 5% of new common equity, plus warrants to purchase additional new common equity in the event certain recovery levels for subordinated creditors are attained. Once the company emerges from bankruptcy proceedings, the Company's President and Chief Executive Officer, as part of his January 13, 1992 employment agreement, will receive five-year options to purchase (at nominal consideration) 10% of the Company's new common equity, and, if the fair market value of the Company exceeds certain targeted amounts on or before January 12, 1996, the right to purchase (at nominal consideration) an additional 5% of the Company's common equity plus additional significant cash consideration.

PART I, ITEM 2, MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

SUDBURY, INC. AND SUBSIDIARIES

For the first nine months of fiscal 1992, operating activities used cash of $1.9 million compared to cash usage of $.2 million in the same period of fiscal 1991. The use of cash in the current period was primarily caused by operating losses partially offset by reductions in working capital arising from the receipt of a $3.4 million federal income tax refund in September 1991 and reductions in inventory.

Capital expenditures were $3.2 million (of which $.9 million relates to continuing operations) in the first nine months of fiscal 1992 compared with $4.3 million for the same period last year. The reduction in capital expenditures was the result of the Company's efforts to maintain liquidity. The Company anticipates that capital expenditures will continue at a low level to maintain liquidity and to comply with the Credit Agreement, which limits capital expenditures to $3.5 million in calendar 1992 and $2.5 million in the first nine months of calendar 1993.

The Company currently is authorized to use its cash collateral, pursuant to an order of the Bankruptcy Court, provided certain conditions are met. While the Company believes it can meet its cash requirements with the current $6 million debtor-in-possession financing, there can be no assurance in this regard since its cash needs will be largely predicated upon a variety of factors, primarily (a) general economic conditions, (b) which assets are sold and (c) the cash flow characteristics of those assets sold, all of which are uncertain at this time.

The Credit Agreement also requires that a plan of reorganization be confirmed by the Bankruptcy Court by September 30, 1992, or, subject to certain conditions, by November 20, 1992. However, the final form of any plan of reorganization is still uncertain, given the various constituencies involved, the other various claims to be resolved, the uncertainties surrounding the availability of sufficient cash to meet the Company's operating requirements and the ability to achieve the bank debt amortization schedule. If a restructuring substantially as now contemplated by the Restructuring Agreement cannot be achieved in this manner, the Company may be forced to consider other alternatives to resolve its current situation, which could involve some other form of reorganization or a liquidation of all of its assets.

PART II OTHER INFORMATION

Item 1. - LEGAL PROCEEDINGS

All legal proceedings involving claims against the Company were stayed as a result of the Company's filing on January 10, 1992 with the United States Bankruptcy Court, Northern District of Ohio of a voluntary petition for reorganization under the provisions of Chapter 11 of the U. S. Bankruptcy Code. For a discussion of the Chapter 11 filing, see Notes A and C to the Consolidated Financial Statements and the Liquidity and Capital Resources discussion under Part 1, Item 2, Management's Discussion and Analysis of Financial Conditions and Results of Operation. This filing was for the Company only and did not include any of its subsidiaries.

On January 21, 1991 John H. Escott, Sr. and John H. Escott, Jr. current officers of the Company's wholly-owned subsidiary Galbreath Escott, Inc., filed an action in the United States District Court for the Northern District of Texas of Fort Worth Division against certain present and former directors of the Company. The action alleges that misleading representations and omissions of material facts were made to the plaintiffs in connection with the Company's 1988 acquisition of Metal Fabricating Company, then owned by the plaintiffs. The complaint alleges violation of Section 10(b) of the Securities Exchange Act of 1934, ommon law fraud, breach of contract, breach of warranty, and violation of the so-called RICO statute, 18 U.S.C. §1962(c) against all the defendants. The plaintiffs seek actual, incidental and consequential damages in excess of $60 million, punitive damages in excess of $10 million and treble damages pursuant to RICO in excess of $13.5 million, as well as reimbursement of costs and expenses of the suit.

On March 9, 1992, the Company commenced an adversary proceeding within its bankruptcy case relating to the Escott action described above and the Lake action described in the Company's Annual Report on Form 10-K for the Fiscal Year Ended May 31, 1991. The Company's action was in the form of a request to enjoin the plaintiffs in such actions from proceeding in any manner in their suits against the current or former officers and directors of the Company. The Company believes that both the Lake and Escott suits are without merit and will vigorously defend these actions.

Item 3. - DEFAULTS UPON SENIOR SECURITIES

(a) The Company is in default under the provision of various covenants related to its $78 million of senior secured bank debt; however, the applicability of such covenants has been suspended under the terms of the Company's debtor-in-possession credit facility. The Company has also failed to pay approximately $8 million in interest due its $25 million subordinated noteholders and $46 million convertible subordinated debentureholders.

(b) The Company is in arrears on its preferred stock dividends as set forth in Part I, Note I - Preferred Stock Dividends in Arrears.

PART II OTHER INFORMATION - Continued

Item 6. - EXHIBITS AND REPORTS ON FORM 8-K

(11) Statement re Computation of Per Share Earnings

(b) Reports on Form 8-K

During the quarter ended February 29, 1992, and through the date hereof, the Company filed no reports on Form 8-K.

EXHIBIT INDEX

Exhibit		Sequential Page Number
(11)	Statement re: Computation of Per Share Earnings	23

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SUDBURY, INC.
(Registrant)

By: Thomas M. Lynch
Thomas M. Lynch
Executive Vice President
Chief Financial Officer

By
Jacques R. Sardas
President
& Chief Executive Officer

Date: April 17, 1992

EXHIBIT 11 - STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

SUDBURY, INC.

	THREE MONTHS ENDED	
	FEBRUARY 29, 1992 (UNAUDITED)	FEBRUARY 28, 1991 (UNAUDITED)
	(In thousands, except per share amounts)	
PRIMARY EARNINGS PER SHARE		
Weighted average shares of outstanding Common Stock	13,107	12,924
Primary earnings:		
Net loss	$(36,097)	$(51,121)
Preferred Stock dividends	(64)	(169)
NET LOSS	$(36,161)	$(51,290)
Primary net loss per share	$ (2.76)	$ (3.97)
FULLY DILUTED EARNINGS PER SHARE:		
Fully diluted weighted average shares of Common Stock:		
Primary weighted average shares outstanding	13,107	12,924
Assumed conversion of:		
Convertible subordinated debentures	**	**
Convertible promissory notes	**	**
Convertible Preferred Stock	**	**
TOTAL	13,107	12,924
Fully diluted earnings:		
Net loss	$(36,097)	$(51,121)
Preferred Stock dividends	(64)	(169)
Interest on convertible subordinated debentures and convertible promissory notes; net of tax	**	**
Amortization of debenture costs; net of tax	**	**
NET LOSS	$(36,161)	$(51,290)
Fully diluted net loss per share	$ (2.76)	$ (3.97)

** - The conversion of the debt and equity instruments had no effect on earnings per share as they would be anti-dilutive.

EXHIBIT 11 - STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

SUDBURY, INC.

	NINE MONTHS ENDED	
	FEBRUARY 29, 1992 (UNAUDITED)	FEBRUARY 28, 1991 (UNAUDITED)
	(In thousands, except per share amounts)	
PRIMARY EARNINGS PER SHARE		
Weighted average shares of outstanding Common Stock	13,107	12,878
Primary earnings:		
Net loss	$(46,782)	$(56,427)
Preferred Stock dividends	(348)	(507)
NET LOSS	$(47,130)	$(56,934)
Primary net loss per share	$ (3.60)	$ (4.42)
FULLY DILUTED EARNINGS PER SHARE:		
Fully diluted weighted average shares of Common Stock:		
Primary weighted average shares outstanding	13,107	12,878
Assumed conversion of:		
Convertible subordinated debentures	**	**
Convertible promissory notes	**	**
Convertible Preferred Stock	**	**
TOTAL	13,107	12,878
Fully diluted earnings:		
Net loss	$(46,782)	$(56,427)
Preferred Stock dividends	(348)	(507)
Interest on convertible subordinated debentures and convertible promissory notes; net of tax	**	**
Amortization of debenture costs; net of tax	**	**
NET LOSS	$(47,130)	$(56,934)
Fully diluted net loss per share	$ (3.60)	$ (4.42)

** - The conversion of the debt and equity instruments had no effect on earnings per share as they would be anti-dilutive.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

Quarter Ended May 31, 1992 Commission file number 0-13870

Technology 80, Inc.
(Exact name of registrant as specified in its charter)

Minnesota	41-1373380
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

658 Mendelssohn Avenue North, Minneapolis, Minnesota 55427

Registrant's telephone number, including area code 612-542-9545

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

(1) Yes X No ____ (2) Yes X No ____

Indicate the number of shares outstanding of each of the issue's classes of common stock as of the latest practicable date.

Class	Shares Outstanding
Common Stock, $0.01 par value	1,539,170

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Part I - Financial Information

Item 1: Financial Statements

TECHNOLOGY 80 INC.

BALANCE SHEETS

ASSETS	May 31, 1992 (Unaudited)	August 31, 1991
CURRENT ASSETS		
Cash	$ 782,723	$ 745,162
Accounts receivable (less allowance for doubtful accounts: May 31 - $4,565; Aug. 31 - $4,870)	439,787	225,505
Inventories	602,149	591,216
Prepaid expenses	3,088	6,291
TOTAL CURRENT ASSETS	1,827,747	1,568,174
PROPERTY AND EQUIPMENT		
Furniture and equipment	332,664	326,127
Leasehold improvements	23,060	23,060
	355,724	349,187
Less accumulated depreciation	(294,636)	(270,328)
	61,088	78,859
	$1,888,835	$1,647,033
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 78,701	$ 53,156
Accrued payroll and payroll taxes	55,459	92,934
Accrued liabilities - other	14,250	1,988
TOTAL CURRENT LIABILITIES	148,410	148,078
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY		
Common stock, $0.01 par value (authorized - 5,000,000 shares; issued and outstanding - 1,539,170 shares)	15,391	15,391
Additional contributed capital	3,347,021	3,347,021
Accumulated deficit	(1,621,987)	(1,863,457)
	1,740,425	1,498,955
	$1,888,835	$1,647,033

See notes to financial statements.

TECHNOLOGY 80 INC.

STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	1992	1991	1992	1991
REVENUES				
Product sales - standard cards and systems	$744,140	$379,862	$1,544,805	$1,179,188
Product sales - Chanalyzer	68,945	81,100	181,165	330,918
Other	(101)	8,114	15,128	22,222
	812,984	469,076	1,741,102	1,532,328
COST OF GOODS SOLD	346,949	178,119	722,505	582,362
GROSS PROFIT	466,035	290,957	1,018,597	949.966
OPERATING EXPENSES				
General and administrative	67,966	82,713	222,351	264,289
Research and development	84,780	88,367	242,512	267,599
Selling	138,650	107,434	359,018	330,936
	291,396	278,514	823,881	862,824
NET INCOME (LOSS) FROM OPERATIONS	174,639	12,443	194,716	87,142
OTHER INCOME (EXPENSE)				
Miscellaneous income	14,613	5,297	25,686	24,901
Interest income	5,712	10,869	21,067	32,152
	20,325	16,166	46,753	57,053
NET INCOME (LOSS)	$194,964	$ 28,609	$ 241,469	$ 144,195
NET INCOME (LOSS), per common share	$ .11	$ .02	$ .16	$ .09

See notes to financial statements.

TECHNOLOGY 80 INC.

STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Nine Months Ended May 31,	
	1992	1991
OPERATING ACTIVITIES		
Net income (loss)	$241,469	$144,195
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	24,308	29,335
Changes in operating assets and liabilities:		
Accounts receivable	(214,282)	31,246
Inventories	(10,933)	73,381
Prepaid expenses	3,203	417
Accounts payable	25,545	34,910
Accrued liabilities	(23,225)	(29,722)
Due to shareholder	-	(10,000)
Deferred income	(1,987)	7,838
Net cash provided (used) by operating activities	44,098	219,108
INVESTING ACTIVITIES		
Capital expenditures	(6,537)	(3,260)
Net cash provided (used) in investing activities	(6,537)	(3,260)
NET INCREASE (DECREASE) IN CASH	37,561	215,848
CASH AT BEGINNING OF THE PERIOD	745,162	518,709
CASH AT END OF THE PERIOD	$782,723	$734,557

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:
There were no amounts paid for either interest or income taxes in any period presented above.

See notes to financial statements.

Technology 80 Inc.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

May 31, 1992

NOTE A - FINANCIAL INFORMATION

The unaudited interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission; accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These interim financial statements should be read in conjunction with the financial statements and notes in the Company's 1991 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

In the opinion of management, the financial statements reflect all adjustments necessary for a fair presentation of the interim periods.

NOTE B - NET INCOME (LOSS) PER SHARE

Net income (loss) per share is based upon the number of shares outstanding of 1,539,170 shares.

Item 2: Management's Discussion and Analysis of Results of Operation and Financial Condition.

Results of Operation

Revenues for the third quarter ending May 31, 1992 increased 73% over the same period the preceding year. Revenues for the nine month period ending May 31, 1992 increased 14% over the same period the preceding year. The industrial control systems product line accounted for 89% of the revenue and the channel-related product line accounted for the remaining 11%. The revenue increase for the nine months was due to larger volume on the industrial control systems product line. Also, Gross Profit Margins for the nine months decreased between 3% and 5% over the preceding year due to the sale of certain high volume products with lower margins.

Operating expenses for the third quarter increased $12,882 (5%) and decreased $38,943 (5%) for the nine month period ending May 31, 1992, from the same periods the preceding year. The main component of the increase for the quarter was selling expenses and the main component of the decrease for the nine month period was legal and accounting expenses.

Interest income for the third quarter and for the nine month period ending May 31, 1992 decreased $5,157 (47%) and $11,085 (34%) respectively, from the same periods the preceding year. This was due to the decrease in interest rates.

The Registrant's net income for the third quarter and for the nine month period ending May 31, 1992 was $194,964 and $241,469 respectively, as compared with a net income of $28,609 and $144,195 for the same periods the preceding year. The net income increases are primarily due to the increased volume on the industrial control systems product line.

Liquidity and Capital Resources

Registrant's balance sheet shows a strong capital position. Cash increased $37,561 since August 31, 1991. Registrant expects that there will be sufficient capital to fund its operations during fiscal year 1992. Registrant keeps its cash reserves invested in money market and short term certificates of deposit of varying terms, drawing interest until needed for operations.

Registrant has no debt and does not anticipate, at this time, that it will be necessary to seek any debt financing in the near future for on-going operations, but may consider some type of financing for other purposes, such as the need to maintain its NASDAQ listing.

Part II - Other Information

Item 6: Exhibits and Reports on Form 8-K

a. Exhibits

None Filed

b. Reports on Form 8-K

None Filed

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Technology 80, Inc.

Dated July 13, 1992

Duane Markus
President, Chief Executive
Officer and Chief Financial
Officer

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

of the Securities Exchange Act of 1934

For quarter ended February 29, 1992   Commission file 0-3910

TOLTEC REAL ESTATE CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	86-0176002
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER I.D. NUMBER)
P. O. BOX 50070, PHOENIX, ARIZONA	85076
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

(602) 496-4251
(REGISTRANT'S TELEPHONE NO., INCLUDING AREA CODE)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓   No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of February 29, 1992.

NUMBER OF SHARES	CLASS
1,267,437	COMMON

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TOLTEC REAL ESTATE CORPORATION

COMMISSION FILE NUMBER 0-3910

FORM 10-Q

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TOLTEC REAL ESTATE CORPORATION
BALANCE SHEET
DATES AS SHOWN

	Feb. 29, 1992	Feb. 28, 1991
ASSETS		
Cash	$ 98	$ 50
Notes and Other Receivables	2,726,952	2,772,873
Investment in Land	1,575,155	1,623,489
Property, Equipment and Other Assets less Accumulated Depreciation	32,881	137,187
TOTAL ASSETS	$4,335,086	$4,533,599
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deferred Gain	$3,673,710	$3,673,710
Notes and Mortgages	1,078,644	1,186,954
Accounts Payable & Accrued Liabilities	376,833	179,167
TOTAL LIABILITIES	5,129,187	5,039,831
SHAREHOLDERS' EQUITY		
Common	6,336,685	6,336,685
Paid in Capital	45,148	45,148
Accumulated (deficit)	(7,175,934)	(6,888,065)
	(794,101)	(506,232)
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$4,335,086	$4,533,599

The unaudited condensed financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the interim results shown.

TOLTEC REAL ESTATE CORPORATION
STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT

STATEMENT OF CONOLIDATED OPERATIONS

	Three months ending Feb. 28 and 29.		Nine months ending Feb. 28 and 29.	
	1992	1991	1992	1991
REVENUES:	$ -0-	$ -0-	$ -0-	$ 1,200
COSTS AND EXPENSES:				
Gen. & Admin.	6,000	15,000	46,200	47,200
Property Taxes	3,500	5,000	13,500	15,000
Legal Expense	-0-	-0-	42,285	-0-
Interest	24,800	24,800	92,440	69,500
Depreciation	2,500	2,500	7,500	8,000
	36,800	47,300	201,925	140,000
NET INCOME (LOSS)	$(36,800)	$ (47,300)	$(201,925)	$(138,800)
ACCUMULATED DEFICIT, beginning of period	(7,139,134)	(6,840,765)	(6,974,008)	(6,749,265)
ACCUMULATED DEFICIT, end of period	(7,175,934)	(6,888,065)	(7,175,934)	(6,888,065)
NET INCOME (LOSS) PER COMMON SHARE	$ (.03)	$ (.04)	$ (.15)	$ (.11)
DIVIDENDS	-0-	-0-	-0-	-0-
AVERAGE SHARE OUTSTANDING	1,267,437	1,267,437	1,267,437	1,267,437

The unaudited condensed financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the interim results shown.

TOLTEC REAL ESTATE CORPORATION

CASH FLOWS
DATES AS SHOWN

	Three months ending Feb. 28 and 29,		Nine months ending Feb. 28 and 29,	
	1992	1991	1992	1991
SOURCE OF CASH				
Net Income (loss)	$(36,800)	$(47,300)	$(201,925)	$(138,800)
Add (deduct) items which provided (used) cash				
Increase in investment in land		(570,840)		(570,840)
Increase (decrease) in notes payable and accrued liabilities	33,724	615,527	194,249	700,597
Decrease (increase) in property and equipment	2,500	2,500	7,500	8,000
CASH PROVIDED	$ (576)	$ (113)	$ (176)	$ (1,043)
APPLICATION OF CASH:				
Cash applied (provided)	-0-	-0-	-0-	-0-
Net increase (decrease) to cash	(576)	(113)	(176)	(1,043)
Cash balance - beginning of period	674	163	274	1,093
Cash balance - February 29	$ 98	$ 50	$ 98	$ 50

TOLTEC REAL ESTATE CORPORATION

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

See Part I, Item 3: Form 10K for fiscal year ending 5/31/89.

Item 2. CHANGES IN SECURITIES

N/A

Item 3. DEFAULTS UPON SENIOR SECURITIES

N/A

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

N/A

Item 5. OTHER INFORMATION

N/A

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

N/A

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

N/A

Results of Operations

The Company's cash flow and sales have ceased. Management is attempting to sell assets to raise cash to pay current obligations. The real estate market in Arizona is depressed, and there is no assurance land can be sold.

Total costs and expenses decreased for the quarter due to the elimination of the President's salary.

The Company's financial condition is such that management has sought advice on the necessity of seeking protection under Chapter 11 Bankruptcy. Management is still attempting to resolve the financial problems of the Company; however, management has recommended to the Board of Directors that the Company should be prepared to file bankruptcy to protect the assets of the Company if any creditor files foreclosure proceedings.

TOLTEC REAL ESTATE CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TOLTEC REAL ESTATE CORPORATION
(Registrant)

TEWilson
Tom E. Wilson, President & Treas.

April 09, 1992
(Date)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended FEBRUARY 29, 1992

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT of 1934

For the transition period from ________ to ________

Commission File Number: 2-29982

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UPWARD TECHNOLOGY CORPORATION
(Exact name of registrant as specified in its ch

DELAWARE
(State or other jurisdiction of incorporation or organization)

11-1714403
(I.R.S. Employer Identification No.)

275 D MARCUS BOULEVARD, HAUPPAUGE, N. Y. 11788
(Address of principal executive offices) (Zip Code)

516-273-8900
(Registrant's telephone number, including area code)

NONE
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☑ Yes ☐ No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. ☐ Yes ☐ No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Date	Class	Shares Outstanding
March 17, 1992	Common Stock - $.02 Par Value	4,000,000

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UPWARD TECHNOLOGY CORPORATION

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UPWARD TECHNOLOGY CORPORATION
BALANCE SHEETS
FEBRUARY 29, 1992 AND MAY 31, 1991

ASSETS

	February 29, 1992	May 31, 1991
CURRENT ASSETS		
Cash and Short Term Investments	$ 110,454	$ 120,787
Prepaid Expenses	422	-
Total Current Assets	$ 110,876	$ 120,787

LIABILITIES AND STOCKHOLDERS' EQUITY

	February 29, 1992	May 31, 1991
CURRENT LIABILITIES		
Accounts Payable	$ -	$ 360
Accrued Liabilities	133	1,293
Total Current Liabilities	$ 133	$ 1,653
STOCKHOLDERS' EQUITY		
Common Stock, Par Value, $.02 per Share Authorized 24,000,000 Shares, Issued and Outstanding 4,000,000 Shares in February and May	$ 80,000	$ 80,000
Capital Surplus	1,950,208	1,950,208
Retained Earnings (Deficit)	(1,919,465)	(1,911,074)
	110,743	119,134
	$ 110,876	$ 120,787

UPWARD TECHNOLOGY CORPORATION
INCOME STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED FEBRUARY 29, 1992

	Nine Months Ended February 28-29		Three Months Ended February 28-29	
	1992	1991	1992	1991
Interest Income	$ 4,185	$ 6,878	$ 1,045	$ 1,967
Other Income	-	262	-	-
Total Income	4,185	7,140	1,045	1,967
Administrative Expenses	12,576	13,286	4,918	3,368
Net Income (Loss)	$(8,391)	$(6,146)	$(3,873)	$(1,401)
Income (Loss) Per Share	$(-)	$(-)	$ -)	$(-)
Weighted Average Number of Shares Outstanding	4,000,000	4,000,000	4,000,000	4.000,000

UPWARD TECHNOLOGY CORPORATION
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED FEBRUARY 29, 1992

	February 28-29	
	1992	1991
CASH FLOWS FROM OPERATIONS		
Net Loss	$(8,391)	$(6,146)
(Increase) Decrease in Miscellaneous Receivables	-	(120)
(Increase) Decrease in Prepaid Expenses	(422)	-
(Increase) Decrease in Contingent Portion of the Sales Price	-	2,382
Increase (Decrease) in Accrued Payable	(360)	61
Increase (Decrease) in Accrued Liabilities	(1,160)	(3,684)
Net Cash Consumed by Operations	(10,333)	(7,507)
Cash Flows from Investing Activities	-	-
Net Cash Decrease	(10,333)	(7,507)
Cash at Beginning	120,787	136,221
Cash at End	$ 110,454	$ 124,714

UPWARD TECHNOLOGY CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 1 - Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principals for interim financial reporting and instructions to Form 10-Q and Article 10 of Regulation S-X. These statements do not include all of the information and footnotes required by generally accepted accounting principals for complete financial statements. These statements should be read in conjunction with the audited financial statements for 1991 included in the Company's Form 10-K. In the opinion of management, all adjustments necessary (consisting only of normal recurring accruals) for a fair presentation have been made to the accompanying financial statements for the interim periods.

UPWARD TECHNOLOGY CORPORATION

ITEM 2 - MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The Company, having sold its operating assets, had no operation for the year. Although the Company is spending only minimum amounts to keep current with SEC filings and stock transfers, declining interest rates being paid by Bank Certificates of Deposits has caused a reduction in the company's cash, its principal asset.

The Board of Directors is continuing to search for a suitable merger partner that can utilize our public vehicle. There is no assurance that a suitable partner will be found in the near future, although management has commenced preliminary discussions with several companies.

Liquidity and Capital Resources

All assets are invested in very snort term Bank Certificates of Deposits. The Company's working capital and cash position is approximately $110,000. Because the regulatory and accounting expenses for maintaining the corporate structure exceeds the low interest yield on the company's cash deposits, liquidity can be expected to diminish.

Part II - Other Information

Item 1. Legal Proceedings

None

Item 2. Change in Securities

None

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

Subsequent to the close of the third quarter results, on March 12, 1992 the Company sold 4,100,000 shares of its Common Stock, which constituted 51% of its issued and outstanding Common Stock as of the closing of the transaction, to Beverly Hills Bancorp, a California corporation with offices at 100 Wilshire Boulevard, Suite 1940, Santa Monica, CA 90401. The aggregate purchase price paid for the shares was $115,000. Pursuant to the Common Stock Purchase Agreement between the Company and Beverly Hills Bancorp the Company's Board of Directors now consists of two members of its original board of directors, Messrs. Ronald M. Miller and Melvin Spindler as well as three appointees of Beverly Hills Bancorp, Messrs. Albert M. Zlotnick, A.F. Osterloh, III and Michael S. Berlin.

Item 6. Exhibits and Reports of Form 8-K

None

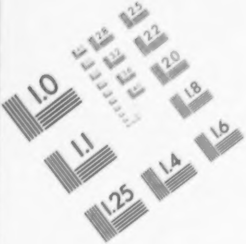
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UPWARD TECHNOLOGY CORPORATION
(Registrant)

Ronald M. Miller
Chief Executive Officer and
Chief Financial Officer

Date 30 March 1992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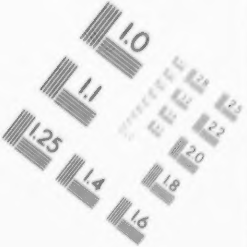
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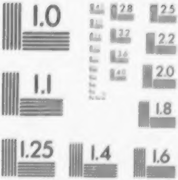
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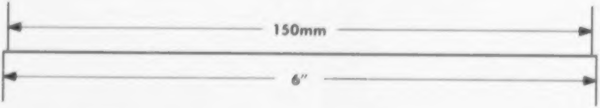

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